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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,

Recently the UK profession published pass marks for each paper and also published marks obtained by each individual. So, students who appeared will be able to see whether he failed to clear the hurdle by 1 mark or by 5 marks. Though, the system of grading was already in existence, the release of marks would provide more details to the students.

The pass marks for most CT papers were 60 with exception of CT4 which was 57. Most pass marks were between 56 and 60 though ST5 went as high as 68. The pass marks are subject to change for every diet and subject though they are not expected to vary much. In history, it happened that the pass marks were even below 50 for some papers. For a student it means that he/she should focus on scoring as many marks as possible starting from the easiest to score questions given the limited time. However, do not be certain that if you have scored 60 then you may pass as the pass mark may depend on the relative easiness or difficulty of the question paper and is not known till the results are out.

The million dollar question is whether this information can help the students to pass the exams. It does not help much given that you would not know what the pass marks would be next time. Even if one knows the pass mark, one will not know the difficulty level of the question paper till the last minute. In that sense, it may be better that the pass mark varies with the difficult level of the question paper rather than being a static one. In that perspective then knowing how much you missed the target may be helpful.

Many times I have been told by the students that Indian Exams are tougher than the UK exams. However, I must say that we have a quality review of the exams by the examiners who are/ were involved with the UK profession and these reviews conclude that the standards are the same. Agreed that the Indian exams are little tougher than the UK exams but then the pass mark levels are also set at a lower levels compared to the just released pass marks levels by the UK profession. The lower pass mark levels take care of these differences and hence from passing criteria perspective levels of both the exams are similar.

We have not yet taken any decision regarding the declaration of marks to the students. If and when we decide to do the same then the students may feel that Indian exams are easy because pass marks are lower. However, the truth is that they are equivalent in standard as evaluated by experts. A perception even though wrong is still the reality for the perceiver. There are quite a few mind illusions you can find on the internet. In older days, various magic tricks were reality for the viewers as they perceived that to be real. Even today, quite a few people use such tricks in the name of God and it is reality for devotees. These perceptions also impact your behavior and hence have an impact on your result too. Perceptions are not bad as long as the impact is positive but the moment impacts are negative, you should do the reality check.

Council elections have already been announced and we have a very good number of candidates contesting for 4 seats of the council. If you believe that you can contribute to the profession and take it forward by being a member of the council then I would urge you to contest for the election. Those who are not contesting for the election have a duty to cast their vote and select the right candidate for the council. It is important that we focus on development agenda of the profession while casting our vote.

Happy Voting! ■

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Indian Actuarial Profession Serving the Cause of Public Interest



From the Desk of

Chief Editor

– Mr. Sunil Sharma

While the Indian Actuarial profession is preparing for hosting 20th Asian Actuarial Conference (AAC) for the first time in India, there have been significant developments in Europe. Last month has been very eventful in Europe which could significantly impact the politics and economy of not only Britain and Europe but other countries too. The loss of UK as one of the EU's biggest members is likely to make a deep wound to the rest of the Europe. If we were to believe some of the market news, if the Britain leaves EU, it is likely to end up poorer, perhaps less open and less innovative. Further, without Britain, rest of the Europe will be worse off. The British prime minister, who never seemed to be an enthusiast for EU, however, he campaigned strongly to remain with EU, announced his resignation. Clearly, the referendum split the country. It was clear from voting pattern that many cities including London and Scotland voted to remain.

While this development is happening in Europe, It important to see how will this impact us in India. There was a fear that this will have significant adverse impact on Indian market and economy. However, it doesn't seem to be the case and the panic over Brexit is unfounded. While Britons have voted to exist EU, the whole process of separation will take its own sweet time. Initially just after the referendum outcome, the Indian stock market fell over 1,000 points, later it recovered to close only to about 600 points lower.There are over 700 Indian companies with over a lakh employees working in UK. These companies are fairly resilient and for sure will adapt to deal with the new world. Nevertheless, the trade negotiation between UK and EU are yet to be seen. We for sure know that ignoring UK is not an alternative to the EU and vice versa. Will this have any impact on the insurance Industry in India? I can't really think of any impact. Will there be any impact of this on profession? Not really. I believe even if EU and UK finally decide to split and finalise its terms, it may bring more opportunities for the Indian actuarial profession overseas.

On a separate note, while the preparation for the 20th AAC are on full swing, I encourage members to visit the 20th AAC pagehttp://www.actuariesindia.in/aboutaac.aspx. You may also like to visit on face book https://www.facebook.com/20th-Asian-Actuarial-Conference-1719563894988339/. I also request you to follow the 20th AAC on Linked inhttps://in.linkedin.com/in/actuariesofindia.

I urge you to use social media to support the profession in a move towards digitization.

With this note I would like to sign off now.!

LETTER TO EDITORIAL TEAM



This is reply to article titled "Join the movement of viewing risk as being two sided" published in May 2016 "the Actuary India".

My view is that Risk is having two accelerator pedals in a car, one replacing the brake.

While I go out with my son, sometimes I let him run. Some other times, he walks close by me and in traffic conditions I hold his hand firmly restricting his movements. I play a risk controller. On occasions he wants to run, he asks. I don't voluntarily tell him to run, anywhere, perhaps other than in a playground.

My view is that the business is run by people with different sets of talents, attitudes and preferences but work with a common objective. Just as an accelerator and break in car works together in keep us moving while not getting hurt. Consider sales might want to build book by selling short-term policies. The risk controller should suggest gradually shifting to selling long-term policies or stop selling short-term policies. Similarly treasury might want to perform some action that risk controlling may not allow. It is like steering, break and accelerator co-ordinates manoeuvring with each one has different function. In my view, if risk controller is business enabler we have got two accelerator pedals in car. However, I cannot deny he is business enabler in the sense he helps a safe manoeuvring. He still performs only the role of risk controller and in the big picture he is a business enabler.

Now, if we zoom the big picture and expect a risk controller to enable business by pointing out the possible positive risks he might become a de facto sales or treasury manager rather a risk controller. Whoa, we got two accelerators (or two breaks)

About missing the run-off profits:

While there is a cost of conservatism, it is stipulated by regulators, accepted by shareholders and business is priced accordingly. This is the shield that protects policy holders funds and also the shareholders from the risk of a default. Another word for probable soured upside risk is insolvency.

Company is about optimising trade-offs. Executives may want to perform a seemingly innocent action that only increases profits to shareholders. But they are agents to shareholders, they have a mandate from shareholders and regulators to protect policyholders interests. This calls for a certain restriction in the action of executives (Conservatism).

Conclusion:

While I go out with my son, sometimes I let him run. Some other times, he walks close by me and in traffic conditions I hold his hand firmly restricting his movements. I play a risk controller. On occasions he wants to run, he asks. I don't voluntarily tell him to run, anywhere, perhaps other than in a playground.

– Mr. Ramani Swarna Prasath

This is reply to article titled "Join the movement of viewing risk as being two sided" published in May 2016 "the Actuary India".



The author has defined risk in more than one way. All the definitions seem to be appropriate. A life insurance company faces the risks of "Policyholders dying too soon" and "Policyholders living too long." Apparently, both these risks contradict each other, but seen in the right context both the risks are valid. I feel that the term 'Risk' should ordinarily be reserved for events which give rise to unfavourable outcomes.

I am in broad agreement with the author when he writes that both upside risk and downside risk should be jointly considered. But the question that arises here is will it be correct to give equal importance to both the sides? Missing an opportunity to realize a few additional units of profits doesn't cause the same panic reaction as losing the same number of units from profits that already stand earned. Obviously, the focus should be more on the downside risk. Is it possible to replace a two sided view of risk with a single sided view?

Let us imagine a situation in which both upside risk and downside co-exist. There are two alternatives available to eliminate or considerably reduce the upside risk. First, the risk itself can be defined as failure to achieve a set goal. Secondly, the position of the goal post, which separates the upside risk from down side can be tweaked so that there is a shift in the risk profile. In the process the upside risk gets significantly reduced or gets eliminated altogether. Correspondingly, the downside risk gets increased. The freed capacity now made available can be utilized to anticipate or seize future business opportunities or as the author has aptly put "to support new profitable business" or "to pay larger dividends". Since there is no longer any upside risk, the entire attention can now be focused on controlling the downside risk.

Downside risk need not necessarily lead to an unfavourable outcome. As an example from real life, in some commercial banks in India the performance of a business team leader handling loan portfolio is judged not only by the additional business he has procured for the bank but also by how much of his loan portfolio gets written off as loss each year. If the amount written off is less than the benchmark tacitly decided by the management, the business team leader gets an adverse rating because he is considered as easy going, risk averse and as lacking in aggressive competitive spirit.

Thanks to the author for the write-up

– Mr. A. Balasubramanian

EVENT REPORT

25th India Fellowship Seminar (IFS)

Organized by: Advisory Group on Professionalism, Ethics and Conduct, IAI
Venue: Hotel Sea Princess, Mumbai **Date:** 9th & 10th June, 2016

India fellowship seminar is a semi-annual event organised by Advisory Group on Professionalism, Ethics and Conducts, IAI. This two day seminar covers various professional, ethical and technical aspects of different practice areas. It is a qualifying assessment for aspiring fellows. The seminar also acts as a platform for all participants and members to share cross Industry Intelligence and practices. The assessment model is also built on the principle of collaboration where teams of aspiring fellows are created and assigned a specific topic, mentored by a Fellow and the collaborative effort is jointly presented to the panel. This time 9 team were created with 24 participants who jointly presented their work under the guidance of 1 mentor per team. This is how the event unfolded this time

Day 1

The day was kick started by **Mr. Abhay Tewari**, Chairperson of Advisory Group on Professionalism Ethics and Conduct, who welcomed all the attendees at the IFS.



He highlighted the intent of the two day seminar as not just assessing the individuals on the technical aspects but also on how they would take decisions in a given situation.

As every individual is bound to face tough situations at work where decisions are to be made within the available time and resources, he emphasized on understanding the broader market prospects and integrating professional and ethical values in our daily work, rather than just quoting them as phrases.

Mr. Chandan Khasnobis, welcomed the participants and encouraged each one to actively participate in presentations and video discussions.



He emphasized on the effective utilization of time and wished all the participants' good luck for the presentations lined up in the day ahead.

Session 1: Transition to low interest rate environment- Impact on long term liabilities management

Chairperson / Guide: Mr. Richard W Holloway

Presenters: Ms. Prerna Nagpal, Mr. Himanshu Garg.

The group provided a brief on the policy rates across major economies of the world illustrating the impact of fall in interest rates post 2008 crisis along with an independent analysis of the Indian market. They highlighted that the low interest rate environment would lead to asset liability mismatch, guarantees on maturity and surrender being greater than the asset shares, high hedging costs, bonus rates not meeting PRE and increased lapsation. The short duration products are likely to be less impacted.

Their recommended solutions to mitigate the above risks included diversification of product suite, buying interest rate swaps and derivatives, offering lower guarantees, lowering of bonus rates, increasing charges on policies, looking at alternatives to modelling the interest rates and many others.

They concluded by highlighting the importance of stress testing, ALM and the need for risk based solvency framework.



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Session 2: Innovations in Health Insurance product offerings in the Indian market

Chairperson / Guide: Ms. Vandana Baluni

Presenters: Ms. Tanmeet Kaur, Mr. Omer Thaika Shaikh, Mr. Nirav Hasmukhbhai Shah.



The group provided an overview of the health insurance market in India and the key challenges faced by insurers and policyholders. The group suggested on bringing products which would reward the customers for staying healthy which would lead to reduction in claims in the long run. The concept of product on a click of a button was introduced for hassle free claim settlement.

Other recommendations included providing Day 1 coverage for diseases which are currently offered with waiting period; providing tiered benefits on critical illness wherein the benefit amount is linked to the severity of the disease; multiple claims payment on diagnosis of unrelated critical illnesses; providing income replacement to those who are unable to attend work due to prolonged illness, accident or disability; products covering nursing expenses of individuals needing long term care and opening of health savings account.

As a way forward, it was suggested that companies would need to identify the risks in implementation of these products and develop mitigation strategies for each identified risk.

Session 3: Increasing Longevity -Financing the post-retiral needs

Chairperson / Guide: Mr. K K Wadhwa

Presenters: Ms. Palak Chauhan , Mr. Kartikey Laxmanprasad Kandoi.



The group initiated by comparing the life expectancy of individuals over the last few decades and identified improvement in infant mortality, medical advancements, nutrition and hygiene as the key drivers of longevity.

Individual, Employer and Government were identified as the three pillars to fund the post-retirement benefits. The group highlighted the existence of pre-retirement products such as NPS, EPF/ PPF, equity market, property, bonds and post retirement investment instruments such as Monthly income schemes, Pension plans, liquid funds and FD's.

While the employer can contribute to the retirement needs by financing the employee benefits and educating them on wealth management, the government plays a pivotal role in providing retirement income and medical benefits to some of its population. However the increasing costs and longevity are major concerns as the time period of funding is unknown.

The government currently funds the retirement benefits on a pay as you go basis and with the increase in longevity; it may adjust tax rates to meet the retirement outgoes in future.

Session 4: Impact of Ind AS 104 in Life Insurance Reporting

Chairperson / Guide: Mr. Kshitij Sharma

Presenters: Ms. Jinal Hemant Sheth, Ms. Ankur V Goel, Mr. Tribhuvanaram Sundaramurti.



The group began by classifying the contracts into Insurance or Investment (deposit) contracts and highlighted that Ind AS 104 would have a material impact on the disclosures made by insurers which would require heavy investment of resources in the initial years of implementation. It would also mean changing the IT systems to capture the deposit component of contracts and would also lead to erosion of top-line due to separate accounting of deposit liability.

This would impact the P&L and balance sheet of the company wherein premiums, commissions, investment income and claims from investment contracts would be removed from P&L and deferred acquisition cost (DAC) shall be amortised over the contract period. In the balance sheet, reinsurance assets and deposits for investment contracts will be shown separately and insurance liabilities will have to be adjusted for DAC. The group also highlighted risks that an insurer shall be exposed to and the possible mitigation strategies.

The insurers are required to prepare Ind AS based standalone and consolidated financial statements for FY 2018-19 with comparatives of FY 2017-18.

Session 5: Cyber risk and Terrorism risk - Challenges in Pricing

Chairperson / Guide: Mr. P A Balasubramanian

Presenters: Mr. Samarth Vikram Singh and Mr, Shivendra Tripathi.



The group began with describing cyber risk and highlighted events wherein IT systems of many known organizations such as LinkedIn, MySpace and Facebook were victims of cybercrime. It was also brought to light that India was the 10th most heavily impacted country in the year 2010-11 and the

exponential evolution of cyber risk poses pricing challenges due to non-availability of data.

The group highlighted that terrorism insurance primarily covers property damage, business interruption and workers compensation and lack of credible data and concentration of risk were identified as key challenges for pricing the risk. In the Indian market, terrorism cover is available as an add-on cover to property insurance. The rates vary by the nature of property and all insurers charge the same rate. They concluded by bringing to light regulator's plan to reduce rates so as to encourage more domestic companies to take cover.

Session 6: Cross Border Reinsurance regulations and first right of refusal to Indian reinsurers (draft mode) - How it will change the risks in the Indian Life Insurance market

Chairperson / Guide: Mr. Nidumula Sai Krishna Prabhakar

Presenters: Ms. Neha Singh, Mr. Aditya Jain and Mr. Pranav Saklecha



The group provided an insight into the reinsurance market for life insurance in India and briefed the audience on the eligibility criteria for reinsurers under the current regulations.

It was highlighted that an insurer seeking reinsurance shall first obtain best terms from Indian reinsurers, then from foreign reinsurers with branch in India with minimum retention of 50%, then follows foreign reinsurers with branch in India with minimum retention of 30%, then the foreign reinsurers set up in SEZ and balance to Indian insurers and overseas reinsurers respectively.

These regulations would give the right of first refusal to the Indian reinsurers which may not be considered as a level playing field for foreign reinsurers and they may rethink of setting up branches in India. However, this would encourage Indian entities to enter the reinsurance market but may restrict the exposure to different geographies due to reduction in business to global reinsurers.

Session 7: Draft Regulation on Expenses of Management and its impact on life insurance

Chairperson / Guide: Mr. Sabyasachi Sarkar

Presenters: Mr. Atul Setia, Mr. Simon Henderson, Mr. Ashish Taneja.



The group provided an overview of expenses of management (EOM) and detailed the limits on EOM for different products offered by a life insurer. Comparison of draft regulations with the rule 17D of Insurance Act highlighted the key changes.

The group discussed submissions required by the regulator which include board approved policy on allocation of expenses duly signed by the CEO, CFO, Chief Compliance Officer and duly certified by the statutory auditor. The newly registered insurers may exercise forbearance from this regulation for a period of ten years post which the expenses above the allowable limits shall be charged to shareholder's account.

For the FY 2015-16, the insurers have the option to comply with these regulations or Rule 17D of Insurance Act, however from FY 2016-17 onwards, all insurers are required to comply with these regulations.

The group concluded by highlighting the impact of these regulations on products offerings, shareholder's P&L and distribution channels.

Session 8: Agriculture Insurance - Impact of Climate Change

Chairperson / Guide: Mr. Saket Singhal

Presenters: Ms. Sonam Bhatia, Mr. Amit Kumar Gupta, Mr. Balakrishnan S Iyer.



The group began by explaining the impact of climate change on occurrence of natural disasters, precipitation, drought and agriculture. Group illustrated the need for crop insurance in India as agriculture contributes significantly to the Indian economy which is heavily dependent on rainfall as a means of irrigation.

As we see an increase in the number of farmer suicides, the group highlighted on governments effort to provide solace to the affected farmers through various insurance schemes. The group also highlighted various features of the two crop insurance schemes operational in India namely Modified National Agricultural Insurance Scheme and Weather based crop insurance scheme.

The group discussed various aspects of pricing crop insurance, challenges associated with data and other risks to which an insurer is exposed to in the present scenario. They concluded by discussing the scope of agricultural insurance in India to the changing nature of crops and agricultural infrastructure.

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Session 9: Challenges faced in Asset Share Calculations

Chairperson / Guide: Ms. Madhura Maheshwari

Presenters: Mr. Jasdeep Singh, Mr. Abhinandan Reddy Rapol, Mr. Samit J Upadhyay



The group initiated by providing an overview of asset share and its components and its role in the calculation of different benefits offered.

Grouping of policies, availability of complete and valid data, basis of surplus distribution and smoothing were identified as the key challenges in asset share calculation. It was highlighted that increasing homogeneity by grouping would imply reduction in cross subsidies, hypothecation of assets and mortality experience at group level. Also, availability of granular data for historical operating experience was identified as one of the major challenges faced by the insurers selling participating products since a long time.

They discussed the importance of treating customers fairly and the challenges faced in setting the basis for fair allocation of bonus to policyholders which requires complex modelling. Also, the emergence of surplus is not similar for each insurer as they are in different phases of operation i.e. some are new and some have a significant portfolio of participating business.

The group also illustrated the possible solutions to mitigate the challenges currently faced by the industry.

The last session of the day was conducted by guest speaker **Mr. Shushrut Chitale** who is a Partner with Mukund M Chitale & Co, Chartered Accountants and leads the consulting division at the firm. Candidly acknowledging the exhaustion that



was brought by the presentation conducted throughout the day, he presented interesting information on the challenges faced by professionals in today's time and what would be the situation in the near future. He explained the worth of knowledge with an interesting quote which says *"A foolish person is respected in his own house, a landlord is respected in his village, the king is respected in his kingdom but a scholar is respected all over the world"*.

He elaborated on the increasing dependency on technology and decreasing use of manpower which has led to a reduction in jobs and would continue to happen in future. He also highlighted the importance learning, unlearning and relearning for individuals to survive in this competitive environment.

He identified credibility, honesty and avoiding intellectual corruption as important aspects of professionalism and concluded with a quote by Mr. Nani Palkhivala who in 1972 said "In India today there are shortages of many commodities, but nothing is so scarce as intellectual integrity. Closer contact with the world will convince you that intellectual integrity is a much rarer quality than financial integrity".

The day was brought to an end with a pre-dinner address by the president of Institute of Actuaries of India, **Mr. Rajesh Dalmia** who firstly thanked Mr. Chitale for conducting an interesting session and also



appreciated the efforts of the participants who presented during the day. He reiterated the importance of professional and ethical conduct which individuals should adopt in day to day work life and how this shall lead to taking critical decisions. He also requested all the members to be thorough with the professional code of conduct and wished each one good luck for future.

Day 2

The day was brought in by



Ms. Anuradha Lal and **Mr. Anil Singh** by giving a brief on the videos that were discussed through the day.

Mr. Singh emphasized that the videos were focussed on understanding the mind-set of the individuals under different circumstances which they face at work.

The videos were paused at different intervals for the moderators to gauge answers from the participants on questions which arose from different situations witnessed at work.

The first video illustrated a situation between the marketing head and Actuarial pricing head of a company, wherein the pricing head feels that the sales literature does not convey the correct message to the policyholders about the premium charged whereas the marketing head is verbally communicating that the product is profitable for the company and the premiums are appropriate for the target market. The video highlighted the importance of right professional conduct, ability to take right decisions within the available resources even when requested or forced to make compromises, documentation of work done, delivery of appropriate information within the given timeframe.



The second video depicted a situation where in an employee is involved in an M&A and he is under deep stress due to time crunch and limited knowledge about certain aspects of the project which he cannot discuss with others in the organisation due to confidentiality of the project. The video aimed at explaining the importance of how an individual dealing with such projects should pass independent opinions without being influenced by seniors or peers, prioritising work and documenting key information in the time available such that one has a record of why he made a certain decision.

Post the lunch break, the third and the final video portrayed a situation wherein an employee has recently left organisation X and joined organisation Y and is unsure about the level of information he can reveal at his new organisation which he gathered while working in organisation X. The video illustrated the dilemma an individual faces while making use of such information where he might feel that it may not have any impact on organisation X, but to gain that information/ knowledge organisation X may have invested a lot of money and time. While variety of answers came out from the participants with no rights or wrongs, the aim was to ensure that individuals take an ethical approach while handling sensitive information.

To bring the session to an end **Mr. Gururaj Nayak** presented on the IAI



disciplinary process, detailing the process from the application stage to the final hearing session and the construct of the council involved.

With this, the two day seminar was brought to closure by **Mr. Prithesh Chaubey** who thanked each and



every member who contributed to the success of 25th Fellowship Seminar.

About the author

Ms. Tanmeet Kaur

7 years of experience in pricing, valuation, reporting and with profits business management for Indian life insurers.



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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

Impact of Recent Losses, Events and Market Dynamics on Aviation Insurance – Part II

(1) Introduction to context (2) Aviation Risk, Perils and Products on offer (3) Major markets, their growth and dynamics (4) Regulation & Government Actions was covered in part 1 of the article, published in Actuary India June Issue

Trends and major losses in recent years

2013

2013 saw lowest number of incidents and fatalities recorded since 1995. However, hull claims were high in value. Total hull and liability claims exceeded premium figures though with minimal differences. Not all underwriters were affected by it as the total claims were driven by few claims. The total value of major losses was little over US$900 million, nearly three times higher than the total recorded in 2012. The insurance capacity has been high resulting in healthy competition.

2014

2014 has been a worst year in terms of large losses and fatalities in airline insurance industry since 2001 - major losses being Malaysian airlines MH370 & MH17 and TransAsia GE222. MH370 loss itself had more fatalities than overall in 2013, highlighting the potential for catastrophic loss in airlines insurance. Total incurred claims including an estimate for minor losses were US$1.5 billion. The 2014 loss total was little over US$1.65bn including approx. US$415m of hull losses, US$790m for liabilities and US$465m for attritional losses. Mainly the losses were above average because of two major losses exceeding US$250m. In 2014 LR jumped to greater than 110% which never happened since 2010.

2014 Hull and Liability losses with a Reserve greater than US$ 10m

Date	Operator	Aircraft type/ Flight	Location of Loss	Fatalities
05 Jan 2014	Air India	A320	Jaipur, India	0
26 Jan 2014	Pacific Air Express	B737	Honiara Airport, Solomon Islands	0
13 Feb 2014	Jetstar Asia	A320	In flight, Indonesia	0
08 Mar 2014	Malaysia Airlines	B777-MH370	Over Malacca Strait	239
13 Mar 2014	US Airways	A320	Philadelphia Airport, USA	0
14 Apr 2014	Golden Myanmar	A320	Yangon Airport, Myanmar	0
03 Jun 2014	Aeroflot	IL-96	Russia	0
17 Jul 2014	Malaysia Airlines	B777-MH17	Ukraine	295
23 Jul 2014	TransAsia Airways	ATR72	Penghu, Taiwan	48
24 Jul 2014	Swiftair/Air Algerie	MD83	Mali	116
28 Dec 2014	Air Asia	A320	Indonesia	162

2015

Though 2015 has been better than 2014 still, there have been few major incidents as given below:

Date	Operator	Aircraft type/ Flight	Location of Loss	Fatalities
4 Feb 2015	TransAsia	235	Taiwan	43
24 Mar 2015	German wing	9525	French Alps	150
30 Jun 2015	Indonesian Airforce	130B	Indonesia	113
16 Aug 2015	Trigana Air	ATR-42	Indonesia	54
31 Oct 2015	Metronet	A321	Egypt	224
4 Nov 2015	Allied Services Ltd	AN-12BK	South Sudan	40

In 2015 the capacity increased still softening market and increasing competition despite of loss picture in 2014 and some big losses in 2015.

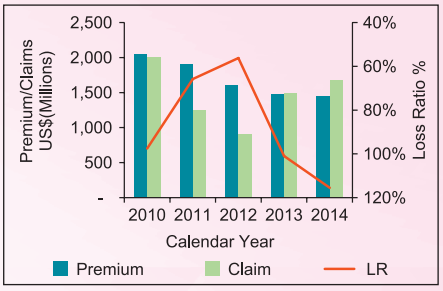
Challenges in industry/ impact/ areas of concern:

The way the aviation insurance market is structured today, it discloses sophisticated risk management practices. To minimize their risk exposure, large potential liabilities are shared by means of a intricate system among several insurers. Furthermore, the insurance market has adjusted to the recent aviation realities being reasonably ready to handle events of an even more catastrophic magnitude.

There is lot of pressure on aviation industry to increase rates due to imbalance between incurred losses and earned premium. In three of the past five years the airline market has reported claims more than the income from each accounting year's written premiums (refer the graph). If we analyse last 10-year period,

the written premium collected less discount and expenses, has hardly matched total claims cost across the industry. Still, as the Airline hull and liability losses has remained subdued compared to cat losses, premium volume has fallen by more than a third in just five years to little over $1.3bn from approx. $2bn in 2010. Besides, the value of attritional losses as well as catastrophic events has increased. Especially after 2014 which saw many catastrophic events making it a tragic year in aviation industry, the situation has become more complex.

Graph: Worldwide Airline Market Hull & Liability Premium & Claims on a Calender Year Basis



Premium includes all known airlines with an AFV in excess of US $100m and is based on Net London Lead Terms; Indicative figures.

** Claims include estimated Attritional loss figures. Includes Airline Hull & Liability claims only. Products/ Airport/ ATC portion of losses are not included. Indicative figures.

The main areas of concern/challenge in industry/impacts today are:

- **Increase in value of attritional losses:**

Attritional losses have increased exhausting significant amount of premium available to meet losses from catastrophic incidents. The main reasons for this increase in size of attrtional losses are: (a) Increasing complexity of aircraft design has pushed up the repair cost (b) Claim handling cost is increasing due to rising compensation pay outs and more rigorous litigation. (c) Determining liability claims have become easier due to improved accident investigation.

- **Increase in capacity**

The rates are not increasing in spite of high losses due to increase in capacity. Increasing capacity is making market competitive, attracting new companies to enter the market, keeping rates low.



- **Incidents due to weather inclemency:**

Incidents resulting from weather inclemency have increased. Few 2014 losses like, disappearance of Malaysia Airlines flight MH370, loss of an Air Algerie flight in Mali during a sandstorm; the crash of a TransAsia Airways plane in Taiwan trying to land in typhoon conditions are few notable examples.

- **Increase in exposure:**

Exposure is increasing due to increase in number of fleets, fleet value and passengers - have risen from approx. **$575bn** in 2000 to approx. **$900bn** in 2013. If the growth continues at the same rate, it's expected to cross US**$1trn** by 2020. Increase in exposure is pushing up the Loss Ratio whereas, the premium are almost at the same of 2001 levels, before 9/11.

- **Global changes in fleets:**



Average number of fleets around the globe is shifting giving aviation industry more challenge to change the rates accordingly. E.g. In 2007, the Average Fleet Value (AFV) of the North American fleet represented 31% of the global fleet, with Asia Pacific representing 30%. Whereas, in 2013, North American AFV is estimated to be 20% of the global fleet, with Asia Pacific representing 37%. The Middle East has risen slightly from 7% to 10% in this period. Besides geographical/locational changes type of fleet (fleet mix) is also changing.

- **Cyber risk**

One of the main concerns of aviation industry is cyber risk and the reality that it is not prepared to cope with it. Significantly increased use of data networks, on board computer systems and navigation systems has resulted into exponentially increased exposure to cybercrime. The insurance industry has recognized it but yet to quantify the impact of this kind of risk and find solution for such tragic event.

- **Merger & Acquisition**

Insurer merger and acquisition has resulted in small number of big insurers who can gradually influence price levels. If one or more insurers decide to move out of writing business in aviation industry, it will impact the market.

- **Exchange Rate Fluctuations**

The minimum insurance requirements are defined in SDRs (Special drawing Rights, unit of account of the International Monetary Fund defined by a weighted currency basket made of the US Dollar, the Euro, the British pound and the Japanese Yen) but, insurance can only be contracted in hard currencies, in practice almost always in US dollars. Therefore, there is a risk that where operators contract the minimum specified insurance, they end up being under-insured due to exchange rate fluctuations. In current volatile market with fluctuating exchange rate/ currency devaluation and fear of downturn, this is gaining prominence

- **Premium changes yet to come:**

Even a year like 2014 could not change the premium levels due to which aviation industry continue to be a negative market. Several reasons of market rates not getting influenced are:

- Not all the insurers were impacted directly by biggest loss of the year - Malaysian airlines.
- Main losses were in non-US market.

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- Some losses impacted war risk insurance like for example Malaysia Airlines Flight MH17 loss.
- Renewal activities in last quarter compensated for losses in 2014 compensating any increase in premium.
- There have been improvements in safety trends which have reduced losses greater than US$10mn in recent years. Only 2014 has been a year with above average performance.
- Underwriters tend to look at the results of a book of business over 5 years and 2014 is the only year which exceeded average. Also 2013 was dominated by few big events so not all underwriters were affected to change market.

Conclusion



Aviation industry's growth appears set to continue as passenger numbers as well as manufactures order books are growing due to continued global economic recovery. All this growth will mean that the global fleet will continue to become larger, younger, more fuel efficient and most importantly safer than ever before.

Increased exposures have not directly translated into increased losses but, instead, have provided a vehicle for insurers to maintain their premium volumes despite average rate reductions.

The cycle of consolidation that has occurred in the most developed markets could continue in future. However, with many of the larger airlines having completed their large mergers, the impact of this will be less significant in its impact on the market as a whole.

2014 did reconfirmed the risk of big catastrophic event that the aviation industry is exposed to. Increasing value of attritional claims is putting further pressure on premiums. It's evident that there exists a need of gradual changes in industry rates as it cannot continue very long to operate in such non-profitable environment.

However, the market is not easy to change due to high capacity (low interest rates and poor bond yields are steering investors toward opportunities with higher returns, resulting in a lot of capital moving into the insurance industry), different impact of catastrophes worldwide, big size of insurers and diverse experience in subsequent years.

It is yet to see when the dominant factor of high capacity will become less impacting and the aviation insurance market would change. After all the insurance industry thrives on fact that it earns from higher premiums than claims, which is at this moment not the case with aviation industry.

In a nut shell, predictions for 2016 and beyond depends on the likelihood of the continuation of the existing trend – abundant capacity/increased competition, unpredictable claims, increased exposure, under pressure bottom lines. Q1 2016 renewals with premium levels declining by up to one fifth in certain account renewals, combined hull and liability rates going down by approx. one eighth, exposures increasing by one eighth, overall aviation lines felling by 10-20%, indicates that the direction is not going to change year and 2016 looks set to continue offering more bargaining power to buyers.

Under such circumstances (1) long term partnership (to manage catastrophic liability, long reporting/settlement delays), (2) innovative products, (3) technological advancements to as loss control measures, (4) underwriting strategy balancing premium levels and exposures will differentiate the market leaders from others.

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FEATURE

20th AAC beckons you to Gurugram!

(This article is originally published in Asia Insurance Review July 2016 Issue)



Mr Liyaquat Khan, Chair of the 20th AAC Organising Committee on Financial Resources and Budgets.

on Financial Resources and Budgets, has been looking forward to seeing India hosts the Asian Actuarial Conference (AAC) for the longest time.

He is now delighted that the event is finally taking place and welcomes one and all to Gurugram from 9-12 November.



A nostalgic trip down memory lane takes me to the year 2000, when I undertook the responsibilities of President of the Indian Actuarial body, then called Actuarial Society of India (now Institute of Actuaries of India).

Amongst a lot of possible progressive paths that were on my radar, one was to take the Indian actuarial profession closer to the world's leading actuarial bodies.

The East Asian Actuarial Congress (EAAC), the actuarial body that used to conduct three days of biennial conference called East Asian Actuarial Conference, came on our radar.

The EAAC, a conglomerate of 12 actuarial bodies today, representing as many nations of the East Asia, was created in 1981 with eight members initially. The Actuarial Society of India was admitted as EAAC Member on 7th October, 2003 by EAAC Board as its 10th Member.

Moving from biennial to annual

EAAC used to have its conference once every two years and that was the only core function it used to have. Now it is organised once a year, since 2013, moving from country to country in alphabetical order of the name of the country.

After the admittance of India, the event was in held in Bali, Indonesia in 2005. With India country's name starting with "I" and the event being biennial, I had hardly imagined, though longed for it that the event will take place in India, during my active lifetime: I am now 75 years young!

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But things do happen even though it were only a dream once. The EAAC Board decided in 2011 to hold the event once a year and in 2014, it decided to change the name to Asian Actuarial Congress (AAC) thus enveloping the whole of Asia.

Gurugram

It was just my fortune that I was representing the Indian actuarial body in Kuala Lumper in 2011 and also in Taipei in 2014, when the above two landmark decisions were taken. And here I am playing a role in organising the 20th Asian Actuarial Congress

History of East Asian Actuarial Congress (EAAC) – Landmarks

(The event was held once in two years prior to 2013 and is now held every year as Asian Actuarial Conference)

1981	1st EAAC Kuala Lumpur, Malaysia	Was held as "Actuarial Society of Malaysia, 1981 International Seminar".
1983	2nd EAAC Singapore	The name of the Conference was changed to "East-Asian Actuarial Conference".
1985	3rd EAAC Manila, Philippines	1–3 December 1985.
1987	4th EAAC Hong Kong	25–27 May 1987.
1989	5th EAAC Taipei	Constitution of EAAC was drafted at 5th EAAC in Taipei.
	Note: 1990: The planning meeting began from 1990.	
1991	6th EAAC Bali, Indonesia	October 1991.
1993	7th EAAC: Singapore	30 November–3 December 1993.
1995	8th EAAC Tokyo, Japan	Constitution of EAAC was signed at 8th EAAC.
1997	9th EAAC Bangkok, Thailand	19–22 October 1997.
1999	10th EAAC Seoul, South Korea	Making the EAAC flag was decided at 10th EAAC. 3–6 October.
2001	11th EAAC Hong Kong	7–10 October 2001.
2003	12th EAAC Manila, the Philippines	6-9 October, 2003 – EAAC logo was adopted and India was admitted as the 10th EAAC member by EAAC Board on 7th October 2003, the membership to be effective 1st January, 2004. (Note: all new members take effect from 1 January).
2005	13th EAAC, Bali, Indonesia	12–15 September 2005.
2007	14th EAAC, Tokyo, Japan	Australia joined EAAC and Constitution was amended at 14th EAAC.
2009	15th EAAC, Seoul, South Korea	12–15 October 2015.
2011	16th EAAC Kuala Lumpur, Malaysia	10–13 October 2011. EAAC decides to hold the event once a year from year 2013 as against once in two years.
2013	17th EAAC, Singapore	15–18 October 2013.
2014	18th AAC, Taipei	12–15 October, 2014. Name changed to Asian Actuarial Congress from East Asian Actuarial Congress so as to envelope whole of Asia.
2015	19th AAC Bangkok, Thailand	3–6 November, 2015.
2016	20th AAC Gurugram, India	9–12 November, 2016.

(20th AAC) as the event is christened now and with extreme gratitude to fate and with a heart full of warmth, I welcome all to attend the event in Gurugram, ex-Gurgaon, National Capital Region, India. (See Box on Page 18)



The city, on the outskirts of the capital of India, Delhi/New Delhi, is sprawling and fast growing, hosting multinational corporations, has capacious conference facilities. The conference venue is Hyatt Regency Gurgaon and the 20th

AAC Organising Committee expects 1,000+ participants and top government leaders to bless the event. The previous event 19th AAC in Bangkok had witnessed 800 plus participants. The event goes to China next year.

The AAC has 12 members, Australia and China were admitted after the admission gate was opened in 2003 for India.

With 52 countries in Asia and just 23 actuarial bodies,the scope for growth of the actuarial profession in Asia is huge for taking on board the existing 11 non-AAC member associations and developing the actuarial profession in rest of the Asian countries.

From the perspective of networking and tourism opportunities, Gurugram is connected with Delhi, Agra and Jaipur by road, the places of immense historical importance and of course the New Delhi International Airport is just few kilometres away.

The November weather is pleasant and enjoyable.

Welcome!

Gurgaon via Google search, 18 May 2016

INDIATODAY.IN NEW DELHI, 13 APRIL 2016 | UPDATED 15:18 IST

Why is Gurgaon now Gurugram? A brief history of the city



With the origin of Gurgaon's name tracing back to ancient Hindu scriptures, the land is believed to have been owned by the legendary rulers Pandavas and Kauravas, who presented it to Guru Dronacharaya, their royal guru for warfare, as an appreciation of his training.

Gurgaon, the largest city in Haryana now has a new name. Haryana government, on 12 April, decided to the change the name of Gurgaon to 'Gurugram'.

According to online media reports, Haryana Chief Minister Manohar Lal Khattar's government said that it was the people's demand that the city, which has historically been a centre of education for princes, be renamed as 'Gurugram'. Gurugram is said to be its historical name.

"Haryana is a historic land of the Bhagwat Gita and Gurgaon had been a centre of learning. It had been known as Gurugram since the times of Guru Dronacharya. Gurgaon was a great center of education," a government official said in a statement.

Here's a brief history of the city:

- The area became part of an extensive kingdom ruled over by Rajputs of Yaduvansi or the Jadaun tribe in ancient times. It was annexed by Babur when the Mughals conquered India
- By 1803, most of it came under the British rule with the fall of the Mughal Empire
- After India attained independence, Gurgaon fell under the Indian state of Punjab. In 1966, the city came under the administration of Haryana with the creation of the new state
- The city's economic growth story started when the leading Indian automobile manufacturer Maruti Suzuki India Limited established a manufacturing plant in Gurgaon in the 1970s
- Spread over an area of 732 kilometre squares, Gurgaon currently has a population of 1.7 million people. It is also a part of the National Capital Region (NCR) of India.

EMPLOYMENT OPPORTUNITY

Inviting Actuarial applications for multiple openings at senior & mid levels at SBI General

SBI General INSURANCE

We are rapidly growing and to help us reach newer heights, we invite applications for multiple vacancies in our Actuarial Department.

Qualification:

a) Graduate / Post graduate in Statistics / Mathematics/ Equivalent quantitative studies/ any other post graduate degree

b) Must be a member of the "Institute of Actuaries of India" or "Institute and Faculty of Actuaries" or any other equivalent actuarial institute with some progress in papers.

Experience:

- 4+ or 7+ years of overall experience
- Very good Excel Skills
- Good Written English
- Specific experience in some of -
  - GLM's and retail pricing
  - New product pricing & filing
  - Financial projections
  - Data work e.g. data specification, extraction, validation etc (SAS would be an added advantage)

How to apply:

Interested candidates can please send their CVs to rosina.fernandes@sbigeneral.in

About the company:

Established in December 2009, SBI General Insurance Company Limited is a leading player in the general insurance segment in India. Our company is a joint venture between the State Bank of India and Insurance Australia Group (IAG).

Website: www.sbigeneral.in

Roles will be assigned according to the experience, qualification and expertise of the candidates, which will be assessed through a selection process including a personal interaction.



OPPORTUNITY to VOLUNTEER for 20th Asian Actuarial Conference

Opportunity to assist in various tasks such as Registering & helping the delegates, assisting presenters, setting up presentation rooms, running A/V equipment, helping with the conference tour etc.

Entry Criteria – Students of IAI preferably residing in Gurgaon/NCR who is fluent in English (at least). Knowledge of other Asian Languages will be an added advantage.

Benefits of Volunteering – Opportunity to network with senior actuaries as well as, well known personalities from Industry. Feel an honor in serving the profession. Also gain experience of managing an International event. However, the Institute will not bear/reimburse any expense.

How to Apply - If you are interested in volunteering, please complete the online form available on AAC website at http://www.actuariesindia.in
Decision of the organizing committee would be final and only the selected candidates will be contacted.

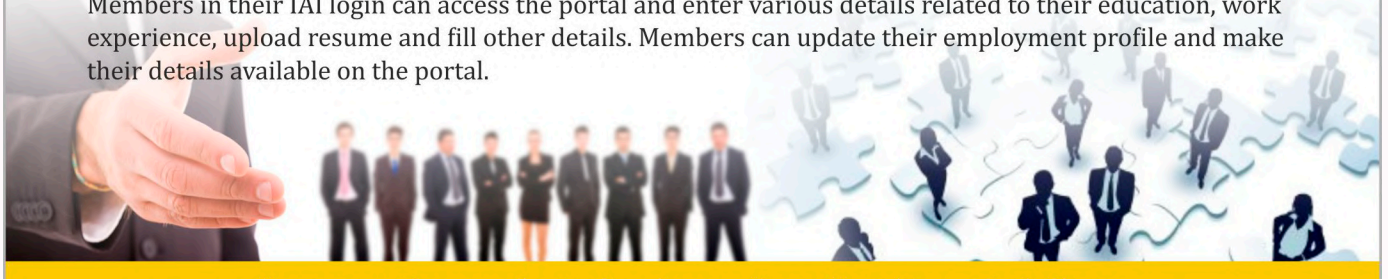
LAUNCH OF EMPLOYMENT PORTAL FOR IAI MEMBERS

Dear All,

We are happy to inform that on 30th April, 2016; the Institute has started with "Employment Portal" service for our members.

Members have started utilizing this service and We have received 500+ member data.

Members in their IAI login can access the portal and enter various details related to their education, work experience, upload resume and fill other details. Members can update their employment profile and make their details available on the portal.



You can email us your feedback and suggestions at larry@actuariesindia.org

COUNCIL DECISION

Recent decision taken by Council



A) Actuarial Practice Standard 9 (APS9): Continuing Professional Development (CPD) and the Actuary

1) Continuing Professional Development (CPD)

CPD hours are bifurcated into Professional and technical CPD. From financial year 2016-17, CPD hours for attending the event will be as under;

IAI Events/Seminars

S.No	Event	Days	Professional	Technical	Total
1	Capacity Building Seminar in Life Insurance (LI)	1		6	6
2	Capacity Building Seminar in General Insurance (GI)	1		6	6
3	India Fellowship Seminar (IFS)	2	12		12
4	Global Conference of Actuaries (GCA)*	2		12	12
5	Seminar on Current Issues in Retirement Benefits (Pension)	1		6	6
6	Capacity Building Seminar in Health Care Insurance (HCI)	1		6	6
7	Seminar on Enterprise Risk Management (ERM)	1		6	6
8	Seminar on Current Issues in Health Care Insurance (HCI)	1		6	6
9	Seminar on Current Issues in Life Assurance (LI)	1		6	6
10	Seminar on Current Issues in General Insurance (GI)	1		6	6

Kindly note that above mentioned CPD hours are for one/two days Event/ Seminar. However, in case the duration of the above mentioned Event/ Seminar increase or decrease, the CPD hours will increase or decrease accordingly subject to provision of APS 9.

For members watching Online Videos of IAI seminar which are uploaded after 31st March 2016 will be eligible for 50% of CPD credit.

Members who have attended the seminar can view the online videos without any cost. However, they will not be eligible for any CPD Credit.

All CPD Program offered by full member association of IAI shall be eligible and recognized for the purpose of CPD. Members will be eligible to claim CPD hours as announced by full member organization subject to provision of APS 9. In case, there is no bifurcation of CPD credit by full member organization, member will have discretion to bifurcate between technical and professional CPD. However, member will have to keep the evidence and justification for bifurcation of hours claimed.

It may be noted that In case of any events/programme which are not currently eligible or covered under CPD scheme, Professional and Ethic Committee will have authority to decide on the same.

2) Definition of Actuarial Work

"Actuarial Work" is defined as work that involves application of actuarial science as defined under section 2(1) (a) Actuaries Act 2006.

3) Service to Profession

Under Clause 4.9 of APS 9 which state that "The Council might designate any other program or contribution as 'service to the profession' and allow CPD credit for it, Council has decided as under;

1) Council/ Committee/ Advisory Group/ Working Group Meeting - 2 hours per meeting and maximum 6 hours in a financial year. It was further decided to authorize Chairperson of respective Committee/Advisory Group etc to decide on Technical/Professional CPD hours depending upon the agenda of that particular meeting.

2) Examiner/ Review Examiner/ Associate Examiner/ Counselling /Training /coaching organised by IAI – Technical CPD of 6 hours per diet and 12 hours per year.

4) For Fellows who are non- COP holders

For Fellows who are non COP holders,

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if they are members of other actuarial body recognized by IAI (List given in APS 9) and are CPD compliant to that actuarial body, then they will be exempted from CPD requirements of IAI; provided that they do not perform any actuarial work pertaining to Indian Jurisdiction. They have to demonstrate the compliance to the CPD requirements of the other actuarial body and also declare that they have not done any actuarial work under Indian Jurisdiction

B) Member in practice permitted to render other services;

The Council decided that "Member in practice are permitted to render such other services" as per clause (iii) of sub-section 2 of Section 2 of Actuaries Act 2006 as long as it does not bring disrepute to the Profession of Actuaries.

C) Criteria for exemption from ACET Examination

It was decided that any applicant who has passed at least three subjects from any of the actuarial body where IAI has MRA arrangement shall be exempted from ACET Examination. The candidate has to give declaration that there is no disciplinary/criminal action taken against him in last five years, or any investigation is currently on-going.

D) Recognition of Experience for Fellowship

It was decided that any member who has experience involving actuarial science as defined under section 2(1)(a) of the Actuaries Act, 2006 shall be considered for fellowship. The member should provide evidence of the experience and should justify that it involves application of actuarial science.

E) Relaxation of one year India residency for GI Actuary of Institute and Faculty of Actuaries, London and Institute of Actuaries of Australia

It was decided to relax MRA criteria of 'ordinarily resident of India for at least one year 'for fellow members of Institute and Faculty of Actuaries, UK (IFoA) and Institute of Actuaries of Australia (IAAust). Fellow members of IFoA and IAAust will require 10 year actuarial experience. Other conditions mentioned in MRA will remain the same ■

Institute of Actuaries of India

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The Actuary India – Editorial Policy (Version 2.00/23rd Jan 2011)

A: **"The Actuary India" published monthly as a magazine since October, 2002, aims to be a forum for members of the Institute of Actuaries of India (the Institute) for;**

a. Disseminating information,
b. Communicating developments affecting the Institute members in particular and the actuarial profession in general,
c. Articulating issues of contemporary concern to the members of the profession.
d. Cementing and developing relationships across membership by promoting discussion and dialogue on professional issues.
e. Discussing and debating issues particularly of public interest, which could be served by the actuarial profession,
f. Student members of the profession to share their views on matters of professional interest by way of articles and write-ups.

B: **The Institute recognizes the fact that;**

a. there is a growing emphasis on the globalization of the actuarial profession;
b. there is an imminent need to position the profession in a business context which transcends the traditional and specific actuarial applications.
c. The Institute members increasingly will work across the globe and in global context.

C: **Given this background the Institute strongly encourages contributions from the following groups of professionals:**

a. Members of other international actuarial associations across the globe
b. Regulators and government officials
c. Professionals from allied professions such as banking and other financial services
d. Academia
e. Professionals from other disciplines whose views are of interest to the actuarial profession
f. Business leaders in financial services.

D: **The magazine also seeks to keep members updated on the activities of the Institute including events on the various practice areas and the various professional development programs on the anvil.**

E: **The Institute while encouraging stakeholders as in section C to contribute to the Magazine, it makes it clear that responsibility for authenticity of the content or opinions expressed in any material published in the Magazine is solely of its author and the Institute, any of its editors, the staff working on it or "the Actuary India" is in no way holds responsibility there for. In respect of the advertisements, the advertisers are solely responsible for contents of such advertisements and implications of the same.**

F: **Finally and most importantly the Institute strongly believes that the magazine must play its part in motivating students to grow fast as actuaries of tomorrow to be capable of serving the financial services within ever demanding customer expectations.**

Version history:
Ver. 1.00/31st Jan. 2004 Ver. 2.00/23rd Jan. 2011

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TOP 10 Life Insurance Insights

Trends, News & Views



The life insurance sector in India is apparently about to witness a new phase of inorganic growth strategy by companies as two leading private insurers, HDFC Life and Max Life have initiated talks to merge into single entity to create the largest Indian private life insurer. On stake transfers front, seven foreign partners have increased the stake in their respective joint ventures. For the recently concluded FY2015-16, the industry recorded healthy positive growth of 11.3%, year-on-year, in its weighted new business premium collections; with state-owned LIC as well private insurers witnessing positive growth in the said metric. The regulator has also announced few key regulations 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 March 2016 to May 2016.

10 Small regional banks adopt open architecture model

Under the recently adopted open architecture structure of bancassurance, the Insurance Regulatory and Development Authority of India (IRDAI) has allowed banks to tie-up with three life insurers, three general insurers and three standalone health insurers to distribute insurance products. This allows access to bancassurance channel for insurers which are not promoted by banks. In these initial months, some of the small regional banks appear to be embracing the open architecture, while there has been no news of any major bank looking at multiple tie-ups.

9 Increased focus on traditional products

Traditional products continued to retain the focus of the industry as nearly three fourth of the new product launches during the past six months have been non-linked products. This trend towards a greater number of non-linked product launches is in line with that witnessed in the calendar year 2015 where 82% of the total life insurance products that received regulatory approval were non-linked products.

8 Positive profits reported by 16 private life insurers

Out of the 20 private insurers to have disclosed their financial results for FY2015-16, 16 have reported profit. Amongst these, 12 have reported a positive year-on-year growth compared to the profit figures at the end of FY2014-15. However, the total profit after tax for private insurers has fallen by 5.7% from INR52.9 billion in FY2014-15 to INR49.9 billion in FY2015-16.

7 Guidelines on Appointment of Appointed Actuaries and their Mentors

With an aim of increasing the number of insurers with Appointed Actuaries (AA), the regulator issued the guidelines on Appointment of AAs and their Mentors. The guidelines specify the appointment of AAs who do not satisfy relevant experience requirements subject to appointment of a Mentor, clearly defining the roles and responsibilities of the AA's and their Mentors.

6 FY2015-16 results round-about: Industry records healthy positive growth of 11.3%

Weighted new business premium collection by the life Insurance industry, (measured as 100% of regular premium and 10% of single premium), amounted to INR597 billion for FY2015-16, resulting in a year-on-year growth of 11.3%, as per statistics released by the IRDAI. Private players recorded a growth of 14.0% in their weighted new business premium collections, along with a marginal rise in market share from 46.7% to 47.8%, year-on-year. State-owed LIC ended the financial year with positive growth of 9.0%, recovering from a decline observed in the first half of FY2015-16. Reports suggest that the industry will observe a growth of 12%-15% during FY2016-17.

5 The regulator has issued various key guidelines related to Expenses of Management of Insurers, Corporate Governance Guidelines, and Operation of Llyod's India.

The IRDAI has released several guidelines and amendments including IRDAI (Expenses of Management of Life Insurers) Regulations, 2016; IRDAI Corporate Governance Guidelines, 2016; and IRDAI (Llyod's India) Regulations, 2016. Among the key highlights, the regulations on Llyod's India discuss the registration and operations of Llyod's India and its service companies. As an update

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to the exposure draft on Expenses of Management of insurers, the Authority has updated the specified limits on the expenses. Insurers are also required to provide information on remunerations to their Key Management Persons as part of the Corporate Governance guidelines.

4 ICICI Prudential Life planning to launch an IPO in the current financial year

Press reports suggest that ICICI Bank has approved sale of a part of its stake in ICICI Prudential Life via an Initial Public Offer (IPO) which is expected to be launched in the current financial year i.e. FY2016-17. Bank of America and ICICI Securities have been selected to lead an offering of up to USD700 million.

3 The regulator has released amended guidelines on ALSM of life insurance business

The IRDAI has released the IRDAI (Assets, Liabilities, and Solvency Margin of Life Insurance Business) Regulations, 2016; superseding the earlier regulations released in 2000. Few of the key amendments are:

- To explicitly include cost of any policyholder options and guarantees in the valuation methodology.
- To hold a provision in respect of the maintenance expense overruns.
- To adopt a consistent valuation basis and method where allowance for reinsurance premiums and claims is made in the mathematical reserves.
- Additional guidelines for valuation of variable linked and variable non-linked business, similar to those for linked business.

2 Completion of several stake transfers to foreign partners following hike in foreign direct investment (FDI) limit to 49%

Subsequent to the recently released Insurance Laws (Amendment) Act, 2015, which raised the FDI limit to 49%, the life insurance industry has witnessed completion of seven stake transfers. Aegon Life, Aviva Life, Bharti AXA Life, Birla Sun Life, HDFC Life, Reliance Nippon Life and Tata AIA Life are amongst insurers which have completed the process of increasing stake of their respective foreign partners. Press reports suggest that Edelweiss Tokio Life has also received approval from the IRDAI for stake transfer; while Shriram Life has got approval from the Competition Commission of India (CCI) and now awaits approval from other authorities.

1 HDFC Life and Max Life are in talks to merge into a single entity in first-of-its-kind deal in the Indian life insurance industry

Two leading private life insurers - HDFC Life and Max Life have kicked off discussions to merge into a single entity which is expected to create the largest Indian private insurer, surpassing ICICI Prudential Life. The proposed merger will be executed in two phases: first being the merger of Max Life and Max Financial Services (its parent entity which is listed), followed by the combined entity's merger with HDFC Life; also proposed to result in automatic listing of HDFC Life. Press reports suggest the merger to take around 12 months to go through, which is subject to approvals from the IRDAI, the Securities and Exchange Board of India (SEBI), the CCI and other relevant authorities. The final entity is likely to be listed as HDFC Life.

For further coverage of these and other market developments, visit *https://www.towerswatson.com/en-IN/Insights/Newsletters/Asia-Pacific/india-market-life-insurance.*

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PEOPLE'S MOVE



Mr. Devadeep Gupta has joined as Senior Manager, Financial Reporting Actuary with Prudential Hong Kong. Mr. Gupta will be leading actuarial teams covering all aspects of Group Management reporting (EEV and IFRS), business planning, and supporting business growth through monitoring of KPIs. Mr. Gupta has previous experience in actuarial consulting and risk management covering valuation, modelling and product strategy in HSBC, Deloitte and Towers Watson. His work experience is in various Asian and European markets with 8 years' international experience focusing on HK, India and UK insurance markets. He will be based in Hong Kong for the new role.

SUCCESS STORY



CA2 TOPPER - MARCH 2016

Ms. NANCY GUPTA

Congratulations

Ms. Nancy Gupta, for being Topper in CA2 Exam held in March 2016.

Tell us about yourself, your educational background and your hobbies

Answer

Thanks a lot for the wishes. I currently work with HDFC Standard Life Insurance on reporting side. I have done MBA Finance and also worked with Aviva in the past. I enjoy playing Sudoku in my free time, but with a one-year old, there's hardly any time now :)

How did your parents, family and friends contribute to your success?

Answer

I believe success is possible with the support and well wishes of family and friends only, and so is true for me as well.

How many hours of study on average per day did you put in to top the CA2 result where in only 12 candidates passed out?

Answer

Slow and steady wins the race' worked for me. While working, it's usually not feasible to put in long hours on a daily basis, but being regular in putting half an hour to one hour per day really helped me.

How much time do you think one requires for serious preparation for this examination?

Answer

For CA2, I think it's really important to first understand the core objective of the paper and then practice. It's good to attempt at least 5-6 models before the exam, which would roughly take around 35-40 hours.

Did you face any difficulty while studying this subject?

Answer

It was challenging initially to understand how to demonstrate all required skills in the given time but practice and pre course models provided helped overcome the same. The one day session before the exam was really helpful and am really thankful to Mr Aditya for the same.

CA2 is a 7.5 hour long exam which examines documentation, analysis and reporting skills of the candidates within the given timeframe. What was your strategy to cover all these aspects while preparing for exam?

Answer

Planning and discipline is the key. I had spent good time strategizing the time to be spent and content to be covered in each part of the exam so that I don't miss out on any of the paper objectives.

How this exam has helped you at professional level?

Answer

As Actuaries, we often work with models and this exam is definitely helpful to working professionals to bring in more discipline in the way we document and report our work.

How do you think you can add value to the Actuarial Profession?

Answer

I think it's important to diversify than being limited to Insurance only. The knowledge and skill set can be successfully put to other areas which are still unexplored in India. And I would be more than happy to be a part of any such initiative.

What was your purpose while selecting this course - Core Application Model Documentation, Analysis and Reporting?

Answer

The content and course of the exam is quite useful and practical, which is the main appeal of this exam. And yes, it's definitely a step forward towards qualification. ■

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SUCCESS STORY

ACET TOPPER - MAY 2016

Mr. ADRISH RAY CHAUDHURI



Congratulations

What were the basic mantras of your success?

I think there are two main things that helped me achieve my goals. Firstly, belief in myself - I always believed that I could achieve my dreams, which motivated me to put in all my efforts towards the same. Secondly, hard work and dedication - I doubt I have ever worked so hard towards a goal, as I did in this case.

Tell us about yourself, your educational background and your hobbies

I'm grown up in Calcutta. As a typical Bengali, I'm fond of food, especially street food and sweets, old movies, books, and passionate debates on pretty much any topic under the sun. I studied Computer Science in college (Jadavpur University), and then did my MBA from IIM-Ahmedabad. My interests lie in reading (both fiction and non-fiction), travelling and coding.

When did you decided to take up Actuarial professional course?

It's been about a year since I decided to pursue the Actuarial course, mid-2015. I have always been interested in maths and statistics, from my school and college days. Later on in life, I have been working in financial markets, with emphasis on balance sheets, risk management and financial modeling. The Actuarial course is an area that would help consolidate my diverse interests and skillsets, while adding new skills which would make me better equipped to deal with a fast-changing global environment.

How did you come to know about the ACET?

I learnt about the ACET exam through the IAI website (http://www.actuariesindia.org/).

How much time do you think one requires for serious preparation for this exam?

I think it depends a lot on one's familiarity with Mathematics - particularly Probability as well as English. For someone who has done a course in Probability / Statistics in the recent past, I would think 3 months of preparation is required. For someone who is new to these subjects, definitely significantly longer, as first the basics would need to be mastered. Similarly on the English front, 3-6 months would be useful to build up one's vocabulary skills and revisit grammar lessons.

How did you start preparation for the ACET?

I started preparation for ACET about 4 months before the test date. I already had good grounding in the relevant maths and English sections. Hence it was more to brush up my knowledge. I used to put in 7-8 hours / day on weekends and 2-3 hours / day on weekdays. I started by going through the basics, then gradually progressing to harder problems, as well as solving questions in a time limited manner. For my readings, I found Schaum series to be quite useful for Maths as well as Wren and Martin, for English.

Which is the most difficult part of this examination and why? What was your strategy to tackle this difficult part?

I think a fairly difficult section is the usage of grammar and sentence correction, the reason partly being that English grammar is not rigid but is often based on usage. The best strategy I found was to read, read and read, something anyways enjoyable as I take pleasure in books. This stood me in good stead, as it helped make my understanding more intuitive.

Did you prepare notes? How helpful are the notes? What is your advice on notes-making?

In general, I prefer not making notes, as that tends towards more compartmentalization, and trying to prioritize parts of the subject. I was more comfortable, in preparing each topic in full, right from the basics, and deriving all the relevant formulae and equations myself. I feel this helps me understand the topic on a holistic basis.

How do you visualize your success?

I visualize my success in achieving my goals in an ethical manner. I would feel successful, if I am able to add some value to something, by dint of diligence and hard work.

What were your strong points which enabled you to achieve success in ACET?

I think my key strengths are strong interest in maths and the fact I am a prolific reader. Despite being out of

academics for several years, I enjoy working on maths problems as a hobby. My love of books - fiction and non-fiction helped me in comprehension, grammar and vocabulary.

How do you think you can add value to the Actuarial Profession?

I have strong interest and skills in a number of areas including - finance, economics, market analysis (fundamentals and technicals), derivatives and programming.

Additionally, as a part my work, I analyze client's balance sheets to identify risks and suggest ways of hedging / mitigating the same. As a part of the Actuarial Profession, I hope to add my skills to help in developing the best practices for risk management.

What are you passionate about?

I am passionate about understanding more about the world around us. This includes science, history and culture. I am very fond about reading on scientific discoveries and new theories being developed. Among my favorite authors are Feynman, Brian Green, Carl Sagan and Michio Kaku. I also believe that to understand the world, one needs to understand people and their culture - I love travelling, visiting new places and meeting new people. I have travelled extensively in Europe, Turkey, Jordan, China, Vietnam, Nepal, Japan and many other places, which I feel has enriched my cultural experience.

Behind one topper are many people who stood by him/her during those uncertain times when he/she was merely an 'aspirant'. Who were those people in your case? Any specific incidence that you would like to share with us?

I would like to credit my parents for my success. They have always stood beside me and offered me moral support and encouragement. Even at times when I felt the hurdles were too hard, their faith in me remained unwavering and they inspired me to do better.

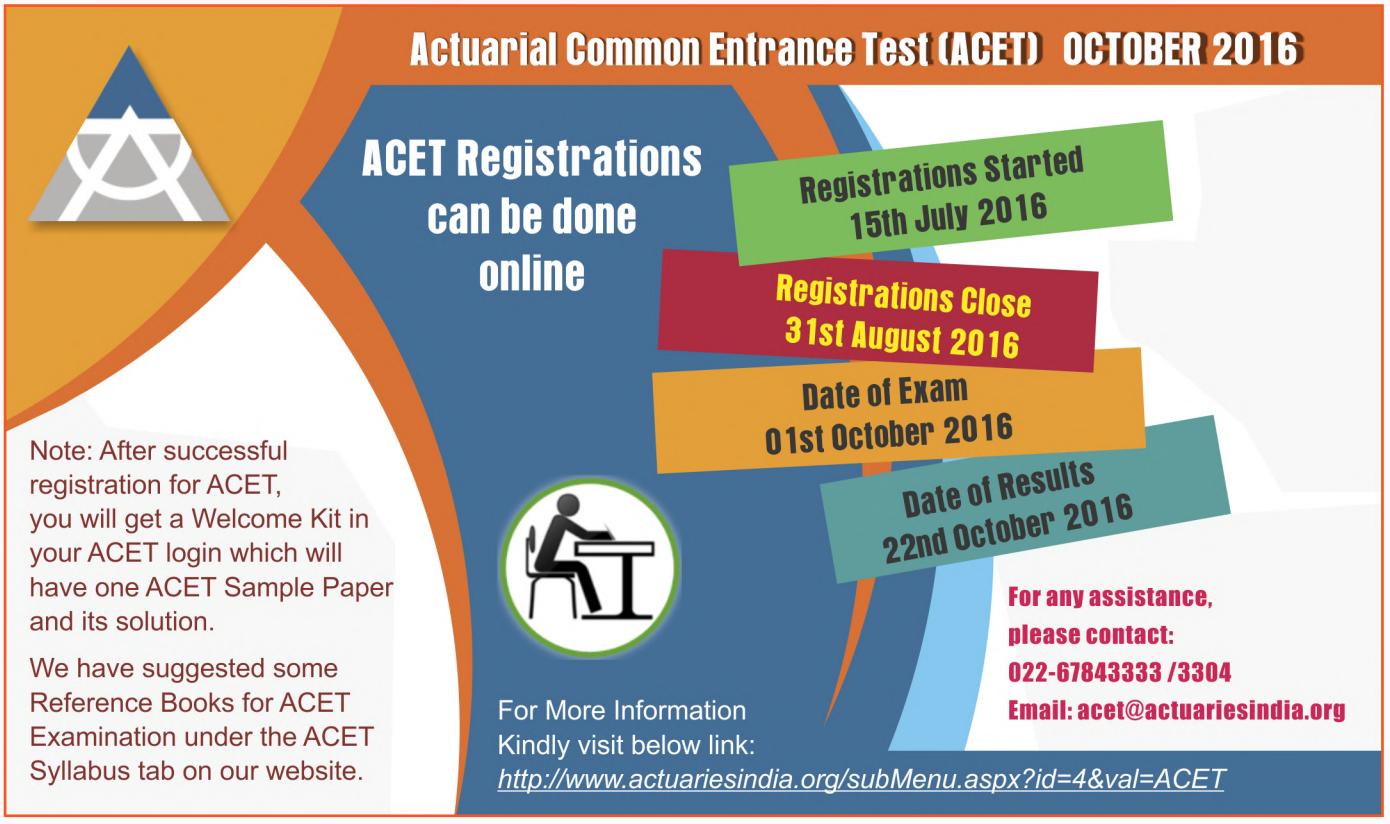
What are some of the mistakes that an average aspirant can avoid for better time management? What is your message for them?

One important message would be, not to get held up by one question. We may come across something that is too hard or unfamiliar. However, we should not waste time over it, just mark it and move on to the other, more familiar ones. We can always come back to it at the end to try and work it out. The second 'trick' I can suggest is for comprehensions - to read the questions before reading the passage. That way, the candidate can keep these in mind while going through the passage which would be of help in saving time.

Any comments on your experience with ACET process.

I think the exam is a well thought out one that tests varied skills for the candidates.

Perhaps as it expands further, there could be an online evaluation and results declared immediately after the test. Also, with increasing scope of biometrics, perhaps verification, document checks etc. could all be done electronically. ■



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An update on Activities in South Africa

The Economy

Finance Minister, Pravin Gordhan, delivered his 2016 Budget in February with rating agencies concerned about growth and lower tax revenues. A few other key points included a downward revision of 2016 GDP growth to 0.9%, no increases in the rates of personal income tax or VAT, and an increase in the fuel levy by 30c/litre. South Africa's GDP came in at 1.3% for 2015, reflecting the impact of the current drought and depressed global conditions. The IMF significantly cut South Africa's economic growth outlook for 2016 from 1.3% to 0.7%; and then further to 0.6%. Attention will focus on the credit rating agencies over the next few months as they assess whether South Africa should be downgraded to junk status.

The All Share Index delivered a return of +3.9% over the first quarter of 2016. The return for the last 12 months was a modest +3.2%. The annualised three- and five-year returns of the All Share Index were +12.8% and +13.6% p.a. respectively. The Rand started the quarter at R15.46 against the US$ and strengthened 5.2% to end the quarter at R14.65, as the US$ weakened against emerging market currencies. CPI for March slowed as expected to 6.3%, pulled down mainly by a drop in the price of petrol. The South African Reserve Bank (SARB) hiked interest rates by 0.5% in January and 0.25% in March, taking the prime lending rate to 10.5%.

National Health Insurance (NHI)

Government is pursuing a plan for universal health coverage for citizens through the National Health Insurance (NHI) scheme. South Africa's healthcare system is on the brink of a total overhaul, with the White Paper on National Health Insurance (NHI) having been released for public comment in December 2015. Once implemented, the NHI aims to ensure universal healthcare for all, bridging the current affordability gap between the 84% of people who do not have access and the 16% of South Africans who can afford private healthcare. The healthcare industry has asked for clarification of the funding model.

Health Minister, Aaron Motsoaledi, says the two most important areas are the exorbitant fees in the private health care sector and the quality of the public health system. He pointed out that 80% of health care specialists in South Africa are in private health care, serving only 16% of the population. The Health Ministry outlines the key challenges of the current system as follows:

- People are paying contributions to their medical schemes that are higher than inflation and also have to pay co-payments - whilst their benefits are shrinking;
- Medical aids are showing high deficits; and
- The pool of insured people is not increasing and those who are insuring are ageing and getting sicker.

South Africa is continuing with an expansive roll-out plan for antiretroviral therapy to combat HIV/AIDS, with current estimates that 3.4 million people are on the programme. According to UNAIDS, about 7 million South Africans had HIV in 2015. Nearly a third of all new HIV infections in South Africa occur in 15–24 year-olds, with adolescent girls being up to **eight times** more likely to be infected with HIV than their male counterparts.

Retirement funds

Government announced a number of changes through the Tax Laws Amendment Bill, impacting on retirement funds. The net impact would be the phasing out of provident funds (which provide lump sums on exit) and conversion of these funding arrangements into pension funds (which provide a combination of a lump sum and a monthly pension on retirement) over the long term and the harmonization of tax treatment of contributions and benefits. The implementation of key elements has been postponed to take into account the concerns raised by organised labour (trade unions).

Government is expected to release a positional paper that is approved by Cabinet on retirement fund reforms later in 2016 that will take into account the views of National Treasury and the Department of Social Development.

Ponzi schemes

The Actuarial Society of South Africa (ASSA) recently commented on Ponzi schemes. Faced with high indebtedness and rising living costs, thousands of South Africans have resorted to "get rich quick" schemes that promise unrealistic returns. Ponzi schemes essentially rely on new investors to pay off existing members, and at some point the scheme collapses due to outflows exceeding inflows. Mike McDougall, CEO of the Actuarial Society, analysed various Ponzi schemes that existed in South Africa

and cautioned the public against participation in such schemes. There is also a tightening of the regulatory environment to assist regulators to crack down on schemes such as the MMM Global scheme.

Other news

Professor Roseanne da Silva is the new President of the ASSA, being the second female President in the society's history. There are currently 287 fully qualified female members in the society, with the first woman to qualify as an actuary being Pat Potgieter in 1955.

16 June was Youth Day and the Actuarial Society embarked on a campaign to improve the financial health of South Africa's youth. The advice included urging youth to have a financial plan; cutting back on expenses, avoiding debt, saving more; and ways to protect your income.

The Annual National Convention of the Actuarial Society of South Africa takes place in Cape Town on the 23rd and 24th of November 2016. ■

About the author

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Chief Executive Officer

Government Pensions Administration Agency

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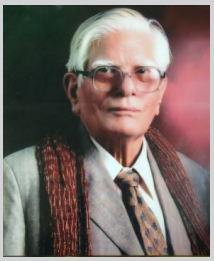
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Late Mr. R. C. Chadha
(29.03.1929 – 16.03.2016)



Mr. R.C.Chadha a man known for his honesty, integrity, handwork and dynamism was born on 29th March 1929. Right from his school days he was brilliant student with special flare for Mathematics. He won meritorious scholarships in matric & intermediate examinations. In 1948 he graduated with honours in mathematics from Punjab University and stood 3rd in the State. He completed his post graduation in mathematics as gold medalist in 1950 from Punjab University. In the year 1956 at the time of nationalization of insurance sector he joined Life Insurance Corporation of India. While climbing the ladder of success he became Asstt. Divisional manger in 1965 and was posted at Chandigarh. In 1970 he was entrusted with the responsibility of starting a new divisional office in Raipur m.p now in Chhattisgarh. He was promoted to the rank of divisional manager after seeing his dynamic waking.

He had eventful stints as senior divisional manager of Chandigarh and Bombay. He also served as Directors of Haryana financial corporation, Himanchal financial corporation & Maharashtra financial corporation etc. He also served as secretary to LIC Board of Directors by virtue of being secretary (personnel) and also chief (audit & inspection) at central office Bombay. He remained on the board of directors of various companies as LIC's representative. He retired from LIC in the year 1989 as zonal manager (ED), central zone, Kanpur. He became fellow of actuarial society of India in 1987. He was also awarded diploma by insurance institute of India in 1989. post retirement he was very popular visiting faculty to various institutes in the field of insurance. He was founder promoter of electro control systems – a company pioneer in the field of solar power and electrical projects.

He left his mortal body on 16th March 2016.

– Mr. Dinesh Chadha

(Son of Late Mr. R . C. Chadha)

Late Mr. N. H. Thanawala
(15.08.1938 – 12.06.2016)



Senior Actuary, Shri Naresh H. Thanawala passed away on 12th June 2016 at the age of 84. He had a brilliant academic career. Besides being a B. Com. (first Class), he was also an Associate of the Institute of Cost and Works Accountants (AICWA). He also had a legal degree. He completed his Fellowship of the Institute and Faculty of Actuaries in 1957 at a very young age. After a brief stint in the insurance industry, he moved on to the financial wing of a non insurance industrial enterprise. However soon thereafter he with another senior actuary, Late Shri R. K. Daruwala, set up an actuarial consultancy organization in the name of Thanawala Consultancy services. This consultancy service has spread its wings with associate consultants to several countries. Later his son Arpan who also qualified as an Actuary joined the consultancy. The consultancy has done exceedingly well with the leadership of Late Shri N. H. Thanawala. He had also a stint as the President of the Institute of Actuaries of India. He along with his colleague, Late Shri Daruwala, was instrumental in drafting the Actuaries Act. He was always keen on maintaining excellence in all he did. He had an ambition to be at the Top of the World and indeed he has always been there in whatever he did. His expertise in accounting standards including the GAAP was well known. He was deeply religious and his devotion to Lord Ganesha was exemplary, He is survived by his son, daughter, daughter-in law, son- in- law, two grandsons and a host of his near relatives and friends. I pay my humble tribute to his memory and wish that the Almighty gives him eternal peace.

-- Mr. M. G. Diwan

PUZZLE

Mind Exercise

Puzzle No 249:

A trick question. It's a simple enough puzzle to find an odd number and an even number such that if you take two from the former and three from the latter you get the same result. But what if that result is even?

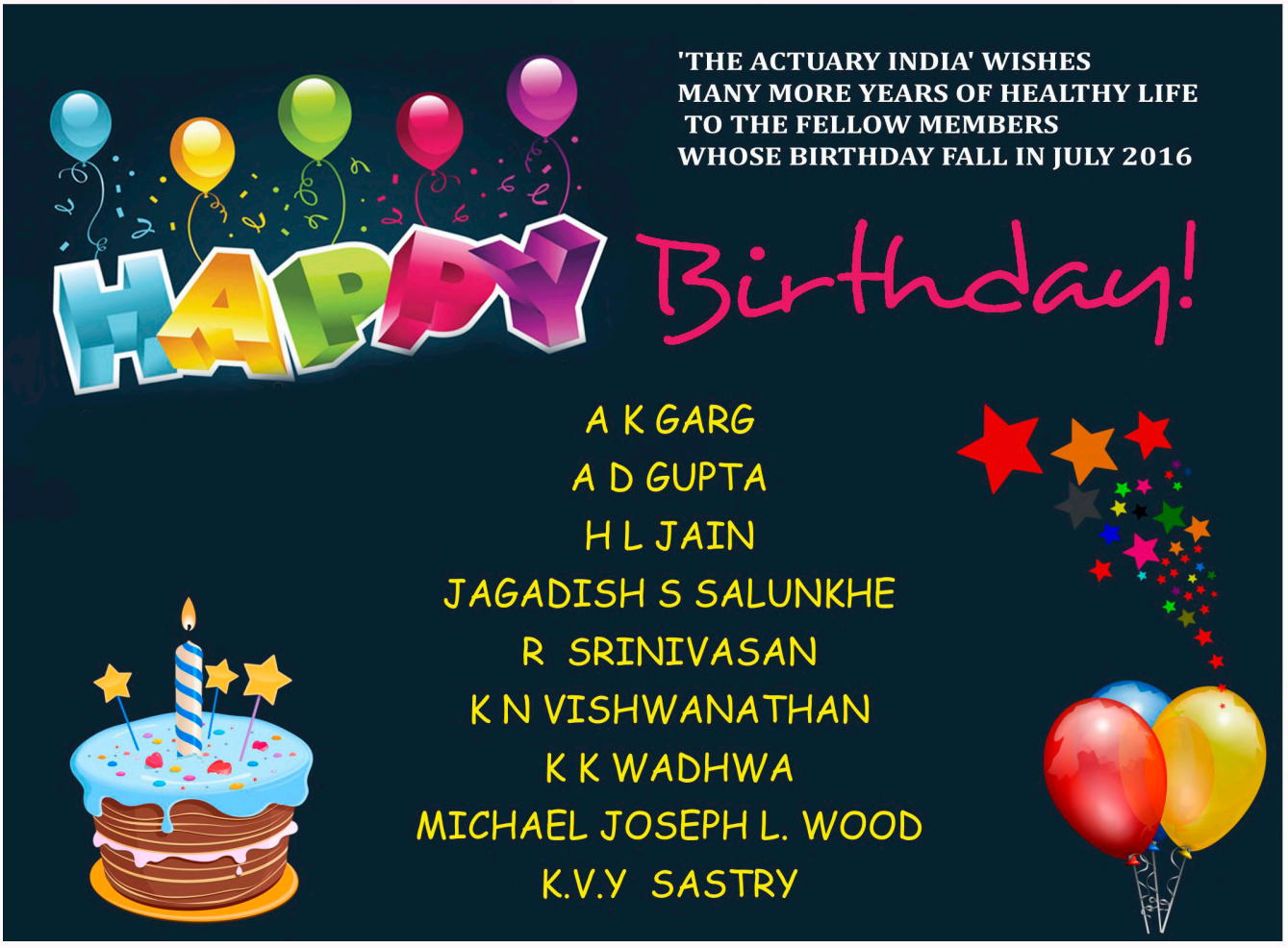
Ms. Shilpa Mainekar
shilpa_vm@hotmail.com



Puzzle No 250

By using only standard arithmetical operations and following the normal rules of arithmetic — without using any expressions that equal zero — can you make:

1) 30 with five 2s?
2) 243 with three 3s?
3) 1,300 with six 4s?
4) 24 with two 5s ?
5) 3 with seventeen 6s?



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