



Institute of Actuaries of India

Statutory body established under an Act of Parliament

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
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August 29, 2023

To
All members and stakeholders

Subject: Invitation of Comments on Exposure Draft on Actuarial Practice Standard 33 (APS 33) on Peer Review of Appointed Actuary's work in - General and Health Insurance / Reinsurance

Institute is seeking comments on Exposure Draft on Actuarial Practice Standard 33 (APS 33) on Appointed Actuary and General insurance, Health insurance or Reinsurance business as per para 4.4 of Principles and Procedure for issuance of Guidance Note/ Practice Standard.

This Actuarial Practice Standard (APS) is applicable to an Appointed Actuary, appointed in accordance with the provisions contained under Insurance Regulatory and Development Authority of India (Appointed Actuary) Regulations, 2022 (hereinafter referred to as AA Regulations) and amendments thereto, by an Insurer carrying on the business of General Insurance or Reinsurer or Health Insurance (as defined under Section 2(6B) and 2(6C) of the Insurance Act 1938), and shall constitute Professional Standard within the meaning of Regulation 2(A)(vi) of the AA Regulations. This is also applicable to all other actuaries, who as a matter of course, get associated with a general insurer or reinsurer or health insurer and have to relate directly or indirectly to the Appointed Actuary of such a general insurer or reinsurer or health insurer.

Important aspects in the draft APS 33

APS 33 outlines guidelines for the peer review of Appointed Actuary's work in General and Health Insurance / Reinsurance:

- **Purpose:** To ensure that Appointed Actuaries' work aligns with accepted actuarial principles, regulatory requirements, APS, and PCS.
- **Scope:** Peer review is standard for annual statutory actuarial valuations by non-life insurers and reinsurers.
- **Selection:** External peer reviewers must be independent, qualified, and experienced. Appointed Actuaries should disclose any prior relationships.
- **Process:** Collaborative process involving in-depth discussions, documented interactions, and iterative aspects as required.
- **Differences:** Expected differences of opinion between the Appointed Actuary and peer reviewer, resolved through discussion or, if significant, a third opinion.
- **Report:** Peer review report confirms completion, describes work reviewed, and highlights differences between Appointed Actuary and peer reviewer.
- **Sharing:** Peer review report shared with insurer's Board and regulator, if desired.
- **Responsibility:** Appointed Actuary retains responsibility for work compliance and has the final decision on changes resulting from peer review.
- **Annexures:** Compliance questionnaires provided for both Appointed Actuary and peer review actuary.

The same is annexed as Annexure A



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Request for Comments

The IAI appreciates comments and suggestions on all areas of this proposed Exposure draft within 30 days i.e., by 28th September 2023. Rationale and recommended wording for any suggested changes would be helpful and requested to be provided in format as per Annexure B and to be submitted to Mr. Yogesh Pandit, AGM-Compliance at yogesh@actuariesindia.org

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ANNEXURE A

APS 33: Peer Review of Appointed Actuary's work in - General and Health Insurance / Reinsurance

1. Classification: Practice Standards

2. Legislation or Authority:

- 2.1. The Insurance Act, 1938 including The Insurance Laws (Amendments) Act, 2015 and The Insurance (Amendment) Act, 2021 (hereinafter referred to as the Act) and amendments thereto including the Insurance Regulatory and Development authority Act, 1999.
- 2.2. The Insurance Rules 1939 (hereinafter referred to as the Rules) and amendments there to.
- 2.3. Insurance Regulatory and Development Authority of India (Appointed Actuary) Regulations 2022 (hereinafter referred to as AA Regulations) and amendments there to.
- 2.4. The Actuaries Act, 2006 and amendments there to.
- 2.5. Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of General Insurance Business) Regulations, 2016

3. Application:

- 3.1. The IAI standards would require Peer review to be a standard element of professional practice for all annual statutory actuarial valuations carried out by an Appointed Actuary of a non-life insurer or non-life reinsurer and all Actuaries working as peer reviewers of such Appointed Actuaries.
- 3.2. The overall scope of APS 33 is described in Section 10 of this document.

4. Status:

- 4.1. Issued by the Institute of Actuaries of India (IAI) under Due Process in accordance with the "Principles and Procedure for issue of Guidance Notes (version 4.00/ 24 08 2012)."

5. Version: 2.00

6. Effective: 01.04.2024

7. Introduction



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- 7.1. The objective of the peer review is to lead to an opinion by the reviewing actuary (the peer reviewer) that the work as a part of the annual statutory valuation of the Appointed Actuary is in conformity with the generally accepted actuarial principles and practices. Specifically, this also ensures that the regulatory requirements of IRDA, requirements of relevant Actuarial Practice Standards (APS) and Professional Conduct Standards (PCS) have been fulfilled.
- 7.2. It is the responsibility of the peer reviewer and the Appointed Actuary to ensure high standards in the performance of the peer review to help demonstrate the commitment of the IAI to act in the interests of the policyholders in particular and the public in general.

8. Definitions and Eligibility Criteria for Peer Reviewer

- 8.1. For the purpose of this Actuarial Practice Standard the following definitions will apply;
- 8.1.1. “Actuary” means an actuary as defined in clause (a) of sub-section (1) of section 2 of the Actuaries Act 2006. Appointed Actuary is as defined under the IRDAI (Appointed Actuary) Regulations.
- 8.1.2. external peer review is a collaborative and collegiate peer review process where
- 8.1.2.1. the peer reviewer is independent of and external to the insurer.
- 8.1.2.2. an actuary working as an employee of the insurer or of any of the group companies of the insurer will not be treated as external.
- 8.1.2.3. In the instance that an individual was an Appointed Actuary and/or employee of the non-life insurer there should be a one year cooling-off period before the individual can become a peer reviewer of the company concerned from retirement or termination of service.
- 8.1.2.4. an actuary working as a consultant or advisor for the insurer will not be treated as external for this purpose except as mentioned below,
- 8.1.2.5. a registered partnership firm or registered sole practitioner or registered sole proprietor is engaged by a non-life insurance company as a consultant or an advisor, then the sole practitioner, sole proprietor or the partner of the partnership firm, can be treated as external only if he is not associated in any other assignment with the non-life insurance company whilst providing the peer review support. However, in case of partnership firm, the partner actuary who undertakes the work as peer reviewer, should declare that arrangements were in place to ensure separation of the people and the work relating to the different assignments and to ensure the independence and objectivity of the peer review.
- 8.1.2.6. a retired employee of the insurer, even if he is a pensioner of the insurer will be treated as external to the insurer provided that he is a registered sole practitioner or a registered sole proprietor or a partner in a registered partnership firm.
- 8.1.2.7. Appointed Actuary and Peer reviewer should not be from same firm.
- 8.1.3. Insurer means a non-life insurer or a reinsurer carrying on the business of non-life insurance or non-life reinsurance as the case may be.



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8.1.4. Peer reviewer is a fellow member of the IAI performing the work of external peer review in terms of this Actuarial Practice Standard.

9. IAI Standards

9.1. External Peer review should be a standard element of professional practice for all annual statutory actuarial valuations carried out by an Appointed Actuary of a non-life insurer or non-life reinsurer.

10. Peer review – Scope

10.1. The peer review should cover all relevant and significant aspects of the actuarial work relating to the annual statutory actuarial valuation. The following non-exhaustive list includes some of the activities that might be carried out as a part of the peer review process:

10.1.1. Reviewing the reasonableness of the checks applied on the data to ensure that it is sufficient and credible (data accuracy checks) for the work to be carried out.

10.1.2. Reviewing the reasonableness of the checks applied on the calculations.

10.1.3. A review of the methodology and assumptions underpinning the work.

10.1.4. A review of the reasonableness of the results.

10.1.5. A review of the extent to which the work has been carried out in accordance with the - Professional Conduct Standards by IAI, Actuarial Profession Standards and other applicable regulatory and/or legislative requirements.

10.1.6. A review of the clarity and/or quality of communication associated with the piece of work; and/or

10.1.7. A review of the extent to which the work is suitable for the needs and reasonable expectations of the user of the work or of the user of the outputs to which it gives rise

11. Choice of Peer Reviewer

11.1. The Appointed Actuary will choose a peer reviewer as defined in 8.1 above, who must have sufficient experience to be capable of contributing to all the technical aspects of the work. The peer reviewer should disclose his prior commercial or employment relationships with the insurer or with group companies to the Appointed Actuary before accepting the assignment. There will be confidentiality element so it may be better to obtain a statement from the peer reviewer saying that there are no conflicts. Prior commercial or employment relationships with the insurer or with group companies should also be formally disclosed in the peer reviewer's report. Any company that has shareholding (whatever be the proportion) in the non-life insurance company will come under the purview of Group Company. However, given the confidential nature of the commercial dealings, there might be a confidentiality agreement in place. In such circumstances, the peer reviewer should disclose that there is a confidentiality agreement in place and confirm that there is no conflict of interest in accepting the peer review work.

11.2. The work being reviewed is carried out in order to meet a regulatory requirement for which the Appointed Actuary holds an appropriate certificate of



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practice. The peer reviewer of such work must also hold the appropriate certificate of practice. The peer reviewer will provide a copy of the same to the Appointed Actuary for his record.

- 11.3. The Appointed Actuary should choose the peer reviewer such that not more than three consecutive annual statutory actuarial valuations of the insurer are peer reviewed by the same actuary followed by a cooling period of at least one year.

12. Method of operation of peer review

- 12.1. The precise form of operation will vary from case to case, and the Appointed Actuary and the peer reviewer are jointly responsible for making sure that appropriate review methodology has been used.
- 12.2. It is required that the Appointed Actuary and the peer reviewer should discuss the work in appropriate depth, and that these discussions should be documented in sufficient detail to demonstrate that a professional and formal peer review has taken place.
- 12.3. The peer review process will often be spread over a period of time, in which case the requirements described above will apply to each element of the peer review.
- 12.4. It is acceptable for the peer reviewer to delegate activities in some parts of the review, but this does not remove him from being personally responsible for all elements of the review.

13. Communication

- 13.1. An Appointed Actuary should confirm in his or her peer review report that the work has been the subject of peer review in accordance with this Actuarial Practice Standard, mention the name and contact details of the peer reviewer in the report and should also specify any areas in which IAI guidance has not been followed, together with the reasons for the same.

14. Resolution of peer review issues

- 14.1. Effective peer review inevitably has the potential to involve robust challenge. Differences of opinion between the member responsible for the work and the individuals involved in the peer review may therefore arise.
- 14.2. Peer review can be an iterative process which can involve the peer reviewer passing comments back to the AA and the AA responding to those comments until they are satisfied that the work has been suitably reviewed. Where there are differences of opinion between the AA and peer reviewer, these can normally be resolved through discussion or further analysis.
- 14.3. It is acceptable for the AA and the Peer Reviewer to disagree on a point. There can be different levels of disagreement. For example, it may be the case that the Peer Reviewer would leave it upon AA to make the decision as to how to resolve the disparity. Where the issue is material, both Peer Reviewer and AA should give sufficient prominence towards element of reasonable professional difference in their respective report. In some circumstances the disagreement might be so significant that it is preferable to obtain a third opinion.



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15. General

15.1. The peer reviewer may provide a brief memo before the submission of peer review report, stating that:

“The Peer reviewer has reviewed the reasonableness of the checks applied on the data, the reasonableness of the checks applied on the calculations, the methodology and assumptions, and the reasonableness of the results. There is no unresolved material difference”.

The Appointed actuary may submit the results with the insurer on the basis of this memo from the peer reviewer.

15.2. The peer reviewer should submit a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed.

15.3. It is expected that differences, if any, between the view-point of the Appointed Actuary and the peer reviewer should be resolved before the Appointed Actuary makes his or her final report. However, to the extent that any material difference remains unresolved, the same should be mentioned in the IBNR report and the peer review report.

15.4. The report of the peer reviewer should be shared by the Appointed Actuary with the Board of the insurer.

15.5. Furthermore, the Appointed Actuary can share the peer review report with the regulator, if the regulator desires.

15.6. The Appointed Actuary retains entire responsibility for his or her work in compliance with the AA Regulations and in conformity with the provisions of the Actuarial Practice Standards and Professional Conduct Standards of the IAI. The Appointed Actuary must therefore retain the final say on whether or not any element of his or her work needs to be changed as a result of the peer review. The Appointed Actuary is therefore advised to use his discretion in this area with care.

15.7. The appointed actuary is required to fill the compliance questionnaire in Annexure 2, and submit with yogesh@actuariesindia.org.

15.8. The peer review actuary is required to fill the compliance questionnaire in Annexure 3, and submit with yogesh@actuariesindia.org.

Annexure 1- Minimum items that should be covered in the Peer Review Report

1. Introduction
2. Opinion
3. Data Collection and Verification
4. Methodology
5. Assumptions
6. Check on results



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7. Limitations

8. Confirmation that the peer reviewer is not associated with the same insurance company on any other assignment during the period when peer review is done.
9. Disclosure of all prior commercial or employment relationships of the peer reviewer with the insurer in the peer review report subject to confidentiality agreement.

Annexure 2 - Compliance Questionnaire for Appointed Actuary:

1. About the Peer Reviewer

- i. Are you satisfied that peer reviewer meets all eligibility criteria, based on the information provided by the peer reviewer?
- ii. Are you satisfied that the peer reviewer has Certificate of Practice by IAI in the relevant area of practice?

2. About the Peer Review

- i. Have you discussed the work in appropriate depth with the peer reviewer?
- ii. Has the peer review covered the relevant and significant aspects of the actuarial work such as:
 - a) reasonableness of the checks applied on the data
 - b) reasonableness of the checks applied on the calculations
 - c) review of the methodology and assumptions
 - d) review of the reasonableness of the results
- iii. Have the discussions in 2.ii been documented in sufficient details to record that a professional and formal peer review has taken place?

3. Communication

- i. Has the peer reviewer submitted a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed?
- ii. Have you ensured that the differences, if any, with the peer reviewer have been resolved before you finalized the annual valuation results? If any material differences have remained unresolved, have the same been mentioned in the IBNR report?
- iii. The Appointed Actuary retains entire responsibility for his or her work in compliance with the AA Regulations and in conformity with the provisions of the Actuarial Practice Standards and Professional Conduct Standards of the IAI. The Appointed Actuary must therefore retain the final say on whether or not any element of his or her work needs to be changed as a result of the peer review. Have you used discretion in this area with care?

Annexure 3 - Compliance Questionnaire for Peer Review Actuary:

1. About the Peer Reviewer

- i. Are you satisfied that you meet all the eligibility criteria to be a peer reviewer?
- ii. Are you a Fellow member of IAI and do you hold the appropriate Certificate of Practice?



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2. About the Peer Review

- i. Have you discussed the work in appropriate depth with the appointed actuary?
- ii. Has the peer review covered the relevant and significant aspects of the actuarial work such as:
 - a) reasonableness of the checks applied on the data
 - b) reasonableness of the checks applied on the calculations
 - c) review of the methodology and assumptions
 - d) review of the reasonableness of the results
- iii. Have the discussions in 2.ii been documented in sufficient details to record that a professional and formal peer review has taken place?

3. Communication

- i. Have you submitted a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed?
- ii. Have you ensured that the differences, if any, with the appointed actuary have been resolved before the appointed actuary finalized the annual valuation results? If any material differences have remained unresolved, have the same been mentioned in the peer review report?



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ANNEXURE B

FORMAT FOR SUGGESTIONS ON DRAFT – APS 33

Change suggested by				
Date				
Note	<ul style="list-style-type: none"> ❖ It is suggested that ONE Page may be used for one change. ❖ This will enable us to group all the suggestions and take a decision on the changes suggested 			
Page No	Paragraph	Sub-paragraph	Suggested change	Reasons for change