

41st India Fellowship Webinar

Date: 13th -14th June, 2024

Violation of PCS - Pension

Guide : Mr. N. Srinivasan

Presented By :

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Case Study Overview

Professional Standards

Case Study Analysis

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Conclusion

Our Guide: An Introduction

Mr. Srinivasan Nagasubramanian, FIAI

Mr. Srinivasan Nagasubramanian is a fellow member of the Institute of Actuaries of India. He started his career in LIC of India. He is currently working as Consulting Actuary. He is having experience of more than 35 Years in the field of Actuarial profession in which he worked as Appointed Actuary for GIC of India for Life Re, Star Health and Allied Insurance Co. Ltd. He has also worked as Actuarial Consultant in Cognizant Technologies and SBI General Insurance.



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Case Study Overview

- A senior actuary practicing in the area of employee benefits as an independent consultant.
- Have a small team of junior actuaries working with us.
- One of our junior actuaries, Mr. Young comes with a suggestion while working on a mid-size gratuity scheme acquired from competitor Mr. Senior.
- As part of required documentation, last year report by Mr. Senior was obtained.
- Mr. Young identified a mistake in the report. The date was mentioned wrongly. As per the mentioned date, the report was two years old.
- Mr. Young is now suggesting to file a disciplinary case against Mr. Senior for issuing a wrong report.
- He sees this as an opportunity to take revenge on Mr. Senior, who didn't leave any opportunity in the past when he got a chance to complain on us.
- We need to identify our course of action on suggestion of Mr. Young, while following the professional conduct standards (PCS)?

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Professional Standards



All members of Institute of Actuaries of India are guided by the following while performing their duties:-

1. Actuaries Act, 2006 and the rules prescribed under it
2. Professional Code Of Conduct Version 4.0
3. Actuarial Practice Standards and Guidance Notes

Compliance with standards

PCS v4 5.1- Non- compliance with the Act and rules & Regulations made there under, professional guidance and other guidance shall constitute misconduct as per section 31 of the Act and could attract initiation of disciplinary procedures as per the Act and relevant rules.

Member therefore have a responsibility to familiarize themselves with, and comply with the Act and Rules & Regulations made thereunder, professional guidance and other guidance as ignorance or lack of proper understanding can not be grounds for justifying any misconduct.

Compliance with standards

PCS v4 5.3- Actions to be taken on discovering a misconduct by another member

PCS v4 5.3.1- On becoming aware of any misconduct by another member, a member must take appropriate action at the earliest opportunity.

PCS v4 5.3.2- If the member decides that the nature of the misconduct is such that action is called for, the member could, in the first instance, consider discussing the apparent misconduct with the other member. Possible objectives of having such a decision include-

PCS v4 5.3.2.1- Seeking more information about the matter, so as to form a view whether there has actually been a misconduct; and/or

PCS v4 5.3.2.2- To explore whether the matter is one where the misconduct can either be mitigated or be rectified entirely by the other member taking remedial action.

Compliance with standards

PCS v4 5.3.3- If the member does not consider a discussion to be appropriate, or if the matter is not resolved to the satisfaction of the member as a result of such discussions, then the member must refer to the professional body as prescribed by the applicable rules.

PCS v4 7.2- If an actuary is invited to provide actuarial services to a client, knows or has reason to suspect that another actuary is acting or has recently provided advice on the same or a related manner, the actuary should communicate, in writing, with the other actuary at as early a stage as possible to ask whether, he is aware of any professional reasons to be considered in accepting or any particular considerations which ought to be borne in mind before providing actuarial services. Upon receiving such an enquiry, the other actuary may provide the required information as soon as possible, but no later than 10 days from receipt of the communication from the actuary, and should make no attempt to obstruct a client who wishes to change advisors

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Breaking Down the Question

1

Mr. Senior is a competitor, will this influence my action?

2

Mr. Young sees the mistake as opportunity to take revenge. Whether it is an opportunity?

3

Whether the identified mistake is material?

4

Whether client is to be consulted first?

5

Whether any action to be taken for previous reports?

6

Whether the mistake can be rectified?

7

Did Mr. Senior report the potential mistake/misconduct to the professional body?

8

Whether Mr. Senior should be consulted?

9

Whether the professional body (IAI) should be consulted?

Mr. Senior is a competitor, will this influence my action?

Professional Conduct Standards:

6. Impartiality

6.1 Actuaries must ensure that their professional judgement is not compromised, and is not seen to be compromised, by any bias, conflict of interest or the undue influence of others.

Mr. Young sees the mistake as opportunity to take revenge. Whether it is an opportunity?

Professional Conduct Standards:

2.1 Individual member must maintain and observe the highest standards of conduct.

2.2 Members have a duty to the actuarial profession and clients and must always act honestly and with integrity

2.4 Healthy debates and expressing different opinions on matters of professional interest are good for the betterment of the actuarial profession. However, such debates and opinions must demonstrate due respect and must not bring disrepute to the actuarial profession or other members or the professional body.

Whether the identified mistake is material?

APS 34: General Actuarial Practice

2.4 Materiality: When determining the threshold for materiality, the actuary should:

Assess materiality from the point of view of intended user(s), recognizing the purpose of actuarial services; whether the actuary expects it to affect significantly either the intended user's decision making or the intended user's reasonable expectations.

Whether client is to be consulted first?

Professional Conduct Standards:

2.3 Clients are entitled to have absolute confidence in the skill, objectivity and integrity of any member.

Additional Consideration:

We should consult the client first, before taking further action on the same, so that it does not reflect badly on the client as well as the previous actuary.

There might be an NDA between the previous actuary and the client which might restrict their ability to confirm on any details.

Whether any action to be taken for previous reports?

Professional Conduct Standards:

5.3 Action to be taken on discovering a misconduct by another member

5.3.1 On becoming aware of any misconduct by another member, a member must take appropriate action at the earliest opportunity.

Whether the mistake can be rectified?

Professional Conduct Standards:

Possible objective of having such a discussion include:

5.3.2.1 seeking more information about the matter, so as to form a view whether there has actually been a misconduct

5.3.2.2 to explore whether the matter is one where the misconduct can either be mitigated or be rectified entirely by the other member taking remedial action.

Did Mr. Senior report the potential mistake/misconduct to the professional body?

Professional Conduct Standards:

5.2 A member who has reasons to believe that he or she has committed a misconduct, and such a misconduct could not be rectified, must report the same to the professional body.

Whether Mr. Senior should be consulted?

Professional Conduct Standards:

5.3.2 If the member decides that the nature of the misconduct is such that action is called for, the member could, in the first instance, consider discussing the apparent misconduct with the other member.

Whether the professional body (IAI) should be consulted?

Professional Conduct Standards:

1.3 If seeking advice from an actuary who has relevant experience would be inappropriate or if, having consulted such an actuary, the member has residual doubts about the course of action to be taken, the member must seek guidance from the professional body.

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APS 27 2.3 Reliance on Others

Actuary would have to use data received from others.

If an actuary uses this data along with error, then he needs to disclaim responsibility for it by disclosing the same in the report identifying who prepared that data along with nature and extent of such reliance. Actuary also needs to disclose in the report any steps that have been taken to determine whether it was appropriate to rely on the information. (2.3.3)

APS 27 2.5 Data Quality

The actuary should take reasonable steps to review consistency, completeness and accuracy of data used which might include reconciling, testing and comparing past periods data (2.5.2)

Client's Corporate Governance

Was the report gone through thoroughly by the management/ statutory auditor's last year?

Did the client receive the report before the board meeting?

Did the client receive the report on proper time?

Initial Documentation

No-Objection Certificate
received from previous
actuary

Audited records received
regarding accounts of the
company

Safeguard our position in case of any huge impact in
this years reports due to errors committed in past year
report

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Factors to consider while making decision

Impartiality

Integrity

Materiality

Discussions with appropriate party

Whether mistake acknowledged

Rectification possibility

Type of Error

Perform checks to confirm if it is typing mistake or wrong data used

Review supporting documentation of report from previous actuary (APS 34 Sec. 2.3.1)

Material

Non-Material

Complaint to be filed

Rectification

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Thank You

