INSTITUTE OF ACTUARIES OF INDIA

EXAMINATIONS

November 2026

CP3 - Communication Practice

Time allowed: 3 Hours 15 Minutes

Total Marks: 100

Q.1) S In Group is a global insurance conglomerate headquartered in Country G. It operates across 12 regulated insurance subsidiaries spanning Europe, Asia-Pacific and the Americas, writing both life and non-life insurance business. The Group is subject to a Solvency II-equivalent capital regime at the group level, with each subsidiary meeting its respective solo capital requirements under the applicable local regulatory framework.

S In Group has issued a Request for Proposal (RFP) to a small number of pre-selected consulting and managed services firms. The RFP seeks a partner to take over the Group's capital regime and Solvency II-equivalent process across all 12 subsidiaries – covering the current As-Is state – and subsequently to transform and automate the end-to-end process.

You are a Business and Technology Actuary at B&D Advisory, a global actuarial and technology consulting firm with its primary delivery centre and largest team based in India. You have been asked by your firm's leadership to prepare a Methodology Paper to be presented to S In Group's Chief Risk Officer (CRO), Chief Financial Officer (CFO) and Chief Actuary. Your own firm's CXO team will also attend the presentation. The paper should demonstrate B&D Advisory's understanding of S In Group, set out the proposed approach to delivering the transformation, and make a compelling case for B&D Advisory as the right partner.

As the Business and Technology Actuary at B&D Advisory, draft a Methodology Paper (in approximately 900 words) for presentation to S In Group's CRO, CFO and Chief Actuary, with your firm's CXO team also in attendance.

The paper should cover the following:

- Demonstrating that B&D Advisory understands S In Group – its structure, the complexity of its capital regime across 12 subsidiaries, and the drivers behind its decision to outsource
- The proposed phased delivery approach: how B&D Advisory will transition from the current As-Is state, stabilise the managed service, and then transform and automate the process
- How B&D Advisory will manage the varying complexity, size and regulatory requirements across the 12 subsidiaries
- The key risks of outsourcing a critical regulatory function and how B&D Advisory proposes to mitigate these
- An indicative commercial model and pricing approach
- Why B&D Advisory is the right partner for this engagement and your recommendation to S In Group to proceed

[90 Marks]

Q.2) Explain how you decided on:

i) The depth of your explanation **[5]**

ii) Filtering information **[5]**

[10 Marks]

[The information given below is fictitious and does not belong to any company or individual. It is meant to be used only for the purpose of this examination.]

Annexure:

Section 1: S In Group – Overview and Corporate Structure

S In Group is one of the top 20 global insurance groups by gross written premium (GWP), with consolidated GWP of approximately ₹2,55,000 crore for the financial year ended 31 December 2024. The Group is listed on the principal stock exchange of Country G with a market capitalisation of approximately ₹1,72,000 crore.

The Group operates through 12 regulated subsidiaries across four regions. Ten subsidiaries are subject to the Solvency II-equivalent capital regime applicable in Country G. S In UK operates under a separate but closely aligned domestic capital framework following regulatory divergence from the EU framework. S In Australia and S In Canada operate under their respective local capital regimes, considered equivalent for group reporting purposes under an approved methodology. Three subsidiaries – S In Netherlands, S In UK and S In Ireland – operate under a full Internal Model; the remaining nine use the Standard Formula.

The table below sets out each subsidiary's Available Capital (Eligible Own Funds), SCR and SCR Ratio as at 31 December 2024. The group-level SCR Ratio stood at 183% (against regulatory minimum of 150%).

Subsidiary	Lines of Business	Capital Regime	Complexity Tier	Total Assets	Available Capital (Own Funds)	SCR	SCR Ratio
S In Netherlands (HQ / Group entity)	Life & Non-Life	Internal Model	High	₹3,85,000 cr	₹51,870 cr	₹28,500 cr	182%
S In UK	Life & Non-Life	Internal Model	High	₹1,65,000 cr	₹21,888 cr	₹12,800 cr	171%
S In Germany	Non-Life	Standard Formula	Medium	₹1,00,000 cr	₹15,826 cr	₹8,200 cr	193%
S In France	Life	Standard Formula	Medium	₹82,000 cr	₹10,816 cr	₹6,400 cr	169%
S In Italy	Non-Life	Standard Formula	Medium	₹64,000 cr	₹9,016 cr	₹4,600 cr	196%
S In Spain	Life & Non-Life	Standard Formula	Medium	₹55,000 cr	₹6,808 cr	₹3,700 cr	184%
S In Poland	Non-Life	Standard Formula	Low	₹18,000 cr	₹3,798 cr	₹1,800 cr	211%
S In Ireland	Life	Internal Model	High	₹1,28,000 cr	₹16,665 cr	₹10,100 cr	165%
S In Singapore	Life & Non-Life	Standard Formula	Medium	₹73,000 cr	₹9,735 cr	₹5,500 cr	177%
S In Australia	Non-Life	Standard Formula	Low-Med	₹27,000 cr	₹5,103 cr	₹2,700 cr	189%
S In Canada	Non-Life	Standard Formula	Low-Med	₹36,000 cr	₹5,544 cr	₹2,800 cr	198%
S In Brazil	Life & Non-Life	Standard Formula	Low	₹18,000 cr	₹3,708 cr	₹1,800 cr	206%

Note: Complexity Tier reflects business mix, capital regime type, subsidiary size, volume of intra-group transactions and number of legal entities. High-tier subsidiaries are expected to require dedicated senior actuarial resource throughout the transition period.

Section 2: Why S In Group is Outsourcing – Strategic Rationale

S In Group's Board approved the RFP in Q4 2024 following an internal review by the Group Chief Actuary. The principal drivers are:

- **Cost efficiency:** The Group's capital function costs approximately ₹200 crore per annum across all 12 subsidiaries. An internal benchmarking exercise found that comparable groups operating with outsourced or co-sourced capital functions achieve a 25–35% cost reduction against a fully in-house model.
- **Talent scarcity and attrition:** Annual attrition in the capital function averages 18% across the group; three subsidiaries had unfilled senior actuarial vacancies as at Q1 2025. The cost and disruption of repeated recruitment and onboarding is significant.
- **Regulatory change burden:** Upcoming changes to applicable capital frameworks and new digital operational resilience requirements will impose additional obligations across all entities. The Group Chief Actuary's view is that the Group does not have sufficient internal capacity to manage implementation while maintaining business-as-usual reporting.
- **Technology transformation:** The Board has set a strategic objective to achieve a 60% reduction in end-to-end capital cycle time by 2028. Achieving this requires automation, AI and cloud-based actuarial platforms that the Group currently lacks the capability to deploy internally.
- **Group-level visibility:** Group capital consolidation at HQ currently takes approximately 22 business days after subsidiary submissions, limiting the ability to take timely capital management decisions.

Section 3: Current As-Is State – Pain Points and Process Gaps

B&D Advisory was provided access to S In Group's capital process documentation as part of the RFP due diligence exercise. The table below summarises the key pain points identified:

Pain Point Area	Description
Data management	No central data repository; each subsidiary maintains siloed spreadsheets and local actuarial models with no standardised data taxonomy or version control. Data is re-keyed multiple times across the capital process.
Quarterly reporting	Regulatory returns produced manually across subsidiaries; average submission lag of 12–18 business days post quarter-end, against a regulatory requirement of 5 weeks for the group entity and 6 weeks for solo entities. Regulatory dispensations were required on three occasions in 2024.
SCR calculation	Capital calculations performed using a mix of Excel-based tools and standalone actuarial software with no group-wide platform. Current average elapsed time for a full SCR calculation cycle is approximately 9 weeks per entity.
ORSA process	ORSA narrative produced independently by each subsidiary with limited group-level coordination; significant duplication of effort and no shared stress-testing framework. Current full ORSA cycle takes approximately 14 weeks from initiation to Board sign-off.
Regulatory change	Upcoming changes to the applicable capital framework and new digital operational resilience requirements will impose additional obligations across all entities. S In Group has not yet begun a group-wide impact assessment or implementation planning.
Talent and capacity	Capital function headcount: approximately 140 FTEs (Full Time Equivalent) resources across the group. Annual attrition averages 18%; three subsidiaries have unfilled senior actuarial vacancies as at Q1 2025.
Technology	No automation or AI tools in use within the capital process; no cloud-based actuarial platform; heavy reliance on legacy Excel macros and manual workflows.
Group oversight	Group Actuarial function lacks real-time visibility into subsidiary capital positions. Group capital consolidation currently takes approximately 22 business days after subsidiary submissions are received at HQ.

Section 4: What S In Group is Looking for in a Partner

The RFP specifies the following requirements:

- Capital regime technical expertise across both Standard Formula and Internal Model entities, and across multiple regulatory frameworks (EU, UK, Australia, Canada).

- Managed service delivery capability, with defined SLAs, governance frameworks, escalation protocols and regulatory change management built into the service.
- Technology and automation: cloud-based actuarial platform, automation tools and AI or machine learning capability for capital modelling and reporting.
- Global footprint with cost-effective offshore delivery. The RFP explicitly notes that Indian delivery capability is viewed as a positive differentiator given the cost and depth of actuarial talent available.
- Structured transition methodology that absorbs existing processes and staff without disrupting regulatory submission timelines.
- Commercial flexibility: the preferred partner should offer a model that evolves from cost-certainty during transition to performance-linked pricing as transformation is delivered. Gain-share arrangements are specifically welcomed.

RFP evaluation criteria: Technical Approach (30%), Transformation Methodology (25%), Team Credentials (20%), Commercial Proposal (15%), References (10%).

Section 5: B&D Advisory – Capabilities and Proposed Delivery Approach

B&D Advisory is a specialist actuarial and technology consulting firm. Its primary delivery centre is in India, which houses the majority of its Insurance Capital Practice comprising over 80 qualified actuaries and technology specialists — approximately 65% of all delivery hours are performed from the India centre. Client-facing offices in London, Amsterdam, Dublin, Singapore and New York support local regulatory engagement and senior client relationships.

The firm has delivered capital regime managed service engagements for insurance groups in Europe and Asia-Pacific over the past five years. Its proprietary technology platform, APEX (Actuarial Process and Execution platform), integrates with leading actuarial modelling tools and supports automated production of regulatory returns, SCR calculations and ORSA workflow management. APEX is cloud-native, hosted on a major public cloud provider with 99.9% uptime SLA and full geographic redundancy. B&D Advisory maintains an annually tested business continuity plan covering all capital process functions. APEX meets applicable information security and operational resilience standards, and the firm is willing to execute a Data Processing Agreement with S In Group covering all 12 operating jurisdictions.

B&D Advisory proposes a three-phase delivery model:

- **Phase 1** – As-Is Assessment and Transition (Months 1–6): Full As-Is assessment and knowledge capture across all 12 subsidiaries, prioritised by complexity tier. A Transition Design Document will be produced for each entity. All regulatory submissions will be shadow-run alongside S In Group's existing teams before transfer of responsibility.
- **Phase 2** – Stabilisation and Managed Service (Months 7–18): Full operational responsibility transferred to B&D Advisory under agreed SLAs. APEX deployed across all entities. A Group Capital Dashboard will be implemented, providing real-time visibility into all subsidiary positions and targeting group consolidation within 8 business days of subsidiary submissions.
- **Phase 3** – Transformation and Automation (Months 19–36): AI and automation deployed for data ingestion, validation and regulatory return production. Target: 60% reduction in manual effort; ORSA full cycle reduced from current 14 weeks to under 6 weeks. Transition to output-based commercial model.

The proposed SLAs for Phase 2 and Phase 3, benchmarked against current S In Group performance and regulatory requirements, are as follows:

Process	Regulatory Requirement	Current S In Group Performance	B&D Advisory Target SLA
Quarterly regulatory returns submission	5 weeks (group) / 6 weeks (solo)	Currently 7.8 weeks (group) / 8.4 weeks (solo)	Within 4 weeks of quarter-end (all entities)
SCR calculation cycle (per entity)	Not specified by regulator	Approximately 9 weeks	Within 4 weeks of data receipt

ORSA report (full cycle)	Board and regulator deadline driven	Approximately 14 weeks	Within 6 weeks from initiation to Board sign-off
Group capital consolidation (HQ)	Not specified	22 business days post subsidiary submission	Within 8 business days of subsidiary submissions

Regulatory change management will be built into the managed service contract via a Regulatory Change Protocol, under which B&D Advisory commits to absorbing the cost of implementing regulatory changes within the defined scope of the engagement.

Section 6: Indicative Pricing and Commercial Models

Three commercial model options are proposed, intended to be adopted in sequence as the engagement matures:

Commercial Model	Description	Applicable Phase	Indicative Annual Fee
FTE-Based Managed Service	Fixed monthly fee per FTE equivalent deployed; transparent and predictable cost base.	Phase 1–2 (Transition & Stabilisation)	₹75–90 crore per annum
Output-Based / Deliverable Model	Fee linked to defined deliverables: quarterly returns package, ORSA report, SCR calculation per entity per quarter.	Phase 2 onwards (post-stabilisation)	₹45–60 crore per annum
Gain-Share / Transformation	Base fee plus a performance bonus linked to measurable outcomes: reduction in cycle time and demonstrated cost savings vs baseline.	Phase 3 onwards (post-automation)	Base ₹35–45 cr + gain-share up to 20% of demonstrated savings

S In Group's current annual capital function cost is approximately ₹200 crore. The indicative Phase 3 base fee of ₹35–45 crore (plus gain-share of up to 20% of demonstrated savings) implies a potential gross saving of approximately ₹140–165 crore per annum against the current baseline. After deducting gain-share payments to B&D Advisory, the estimated net saving to S In Group is approximately ₹110–130 crore per annum in steady state. Based on Phase 1 and 2 cumulative fees (estimated ₹82 crore per annum over 18 months), the payback period on the investment in transition and stabilisation is estimated at under 18 months from the commencement of Phase 3.

All indicative fees are exclusive of applicable taxes and out-of-pocket expenses. Final pricing will be confirmed following the As-Is assessment.

Section 7 : Key Risks to S In Group of Outsourcing the Capital Function

S In Group’s internal review identified the following key risks of outsourcing a critical regulatory function to a third-party partner. The RFP requires responding firms to explain how they propose to manage each of these risks.

- **Knowledge transfer risk:** Institutional knowledge of each subsidiary’s data, modelling approach and regulatory history may be lost during transition.
- **Regulatory compliance:** Disruption during handover could result in missed deadlines. S In Group remains legally responsible for all regulatory submissions even where production is delegated to a third party.
- **Data security:** The capital process involves sensitive financial and regulatory data across 12 jurisdictions; third-party access must comply with applicable data protection requirements in each operating territory.
- **Business continuity:** The partner’s technology platform and team must remain operational through outages and disruption events; S In Group requires assurance that critical capital outputs will not be interrupted.
- **Reputational and regulatory risk:** Errors or delays in regulatory submissions could damage S In Group’s standing with solo and group regulators.

- **Vendor concentration and exit risk:** Appointing a single partner across all 12 subsidiaries creates concentration risk. Transitioning away from the partner, if required, would be complex and disruptive to ongoing regulatory obligations.

Section 8: Regulatory and Technology Context

The following developments are relevant to the scope of the engagement:

- **Capital framework evolution:** The applicable capital frameworks in Country G and several other jurisdictions are undergoing revision. Changes under consultation or recently finalised include enhanced ORSA requirements incorporating macroprudential risk, updated equity risk calibrations, revised proportionality provisions for smaller entities, and strengthened group supervision obligations. Implementation is expected to be required within the next two years across all affected subsidiaries.
- **Digital operational resilience:** Regulators across Country G and the broader EU perimeter have introduced new requirements on the resilience of technology systems supporting critical regulatory functions, including capital regime processes. Any outsourced platform must meet these requirements for incident reporting and third-party risk management.
- **UK regulatory divergence:** S In UK operates under a domestic capital framework that has diverged from the EU regime, including updated rules for long-term insurance and a more principles-based ORSA approach. The capital regime partner must maintain dual framework capability.
- **Accounting standards overlap:** Several subsidiaries have recently completed implementation of the new international insurance accounting standard. There are data and process overlaps with the capital framework's technical provisions that an efficient partner should leverage to reduce duplication.

Section 9: Additional Background Information

S In Group – Historical Financial Performance

Consolidated GWP has grown at a CAGR of 6.2% over 2020–2024. Combined ratio for non-life operations: 94.3% in 2024 (2023: 96.1%). Return on equity: 12.4% in 2024 (2023: 11.8%). Dividend: ₹118 per share in 2024. Net investment income: approximately ₹16,400 crore in 2024. The Group has no hybrid capital instruments outstanding; Tier 1 Own Funds ratio is 89%.

Detailed Capital Module Breakdown – S In Netherlands as at 31 December 2024

Market risk: ₹16,600 cr | Underwriting risk (non-life): ₹5,650 cr | Underwriting risk (life): ₹4,370 cr | Counterparty default risk: ₹1,910 cr | Operational risk: ₹1,640 cr | Diversification benefit: (₹7,380 cr) | Basic SCR: ₹22,790 cr | SCR after Internal Model adjustments: ₹28,500 cr.

Capital Function Organisational Structure – Selected Subsidiaries

S In Netherlands: Group Chief Actuary (1), Group Capital Director (1), Capital Managers (3), Capital Analysts (8), Reporting Team (5). S In UK: Chief Actuary (1), Capital Director (1), Capital Actuaries (4), Reporting Analysts (3). S In Ireland: Chief Actuary (1), Capital Manager (1), Capital Analysts (3). Remaining subsidiaries' org charts available on request.

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