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the Actuary INDIA

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INDIAN ACTUARIAL PROFESSION
Serving the Cause of Public Interest

Photo Features of Actuaries Day 2021

WELCOME

Ms. Rashi Kapoor has joined on 16th July 2021 as Head of Marketing and Strategy. She is completed her MBA with Specialization in Marketing. She carries 10 years of experience in Business Development and Marketing. Her hobbies include dancing, listening to music, social service and travelling.

We welcome Rashi Kapoor to the family of Institute of Actuaries of India. She can be reached at Rashi@actuariesindia.org

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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"

ENQUIRIES ABOUT PUBLICATION OF ARTICLES OR NEWS

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From Chief Editor's Desk

Ms. Bhavna Verma

As we close the first half of the financial year, things appear to be settling down a bit for insurance companies severely hit by additional claims incurred in Wave 2 of the Covid-19 pandemic in India. Despite the increased awareness of insurance led by the onset of the pandemic last year, India's insurance penetration rates remain low; 3.2% for life insurance and touching 1% for non-life insurance in FY21 as per the latest Swiss Re Sigma report. Insurance awareness continues to remain an overarching challenge, hence new product and distribution offerings in the insurance industry should be aimed at addressing the specific and evolving needs of various interest groups to induct more consumer groups into insurance, particularly life insurance. Pricing actuaries and companies at large don't just have the challenge of pricing for the widening gamut of risks, but also keeping up the pace of offerings with the rapidly advancing customer needs and preferences. Moving on to reporting actuaries, IFRS17 should be occupying a sizeable mindshare and even many pairs of hands now, given the global implementation date of 1 Jan 2023.

The Python webinar learning series is a great initiative by the Institute and I hope such learning and upgradation opportunities will continue in the future. Digitization is the buzzword today and work is underway to upgrade the Actuary India to a more

contemporary digital version with wider content. I would urge fraternity members to chip in by contributing more features to the flagship publication. We would also love to hear your story if you are an actuary who has transitioned from conventional areas of practice into the 'non-traditional' areas and your learnings along the way.

I wish all the readers of Actuary India a joyous and safe festival season. Do write in to us with your thoughts and suggestions at library@acturiesindia.org.

CALL FOR ARTICLES

Institute of Actuaries of India

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

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

From President's Desk

Mr. Subhendu Bal

You will never win if you never begin- Helen May Rowland (1875-1950)

The above quote is centuries old, but relevant for all times. I am coming back to you again when a year passed since I have assumed the office of the President of IAI and actioned for many beginnings to make IAI to IAI v.2.0. Leaving routine functions and services, many ambitious projects are placed in the front line for prioritised completion. This include, new IAI website with highly service oriented modules, PCS (version 4.00), Digitalisation of Actuary India Magazine, Accreditation of Universities and Colleges, Preparation of own course materials for a forward looking own curriculum and examinations, Re-structuring and strengthening of office administration for meeting aspirations of members, implementation of robust online examination systems and strengthening ties with global actuarial bodies. The Mutual recognition of qualification with IFoA are also on Institute's pipeline of future projects. The agenda is set and ball started rolling.

The Annual General Body meeting of the year 2021 held on 8th September passed the Annual Report and Accounts 2020-21 of the Institute. The result of Council election to fill in one casual vacancy also declared in the AGM; Congratulations to Mr. Suresh Sindhi, who elected as the new Council member.

The Actuaries day 2021 was another important event celebrated on 21st August in a grand manner on a virtual platform with distinguished speakers, Mr. Amit Agarwal, Additional Secretary, DoF, Ministry of Finance and Mr. Nagendra Rao, President, Institute of Company Secretaries of India.

The month of August have witnessed number of webinars in quick succession. This include, 18th Current Issues in Retirement benefits - 6th, 7th & 11th August, 4th Webinar on Banking, Finance & Investments - 14th August and 4th & 5th Webinar in GI- 25th - 26th August.

The Python programming language webinar series, which is going to be a milestone in developing new skills among members started immediately after the September examinations over. The 16 session webinar series have widely accepted by members across the membership categories which will continue till 23rd October. In the coming months, there are number of similar capacity building and skill development training programs are in the pipe line. All training programs are designed to meet all existing and future challenges of the Actuarial profession in view of technological development gradually occupying actuarial space. Suggest all members to utilise all training opportunities and to remain relevant and competent in the market.

IAI is continued to support the candidates prepararing for their actuarial examination on different subjects. There are number of students benefited from Guidance & support program offered for higher order subjects SA2, CP1 & CP2, which were in addition to the ongoing online classes for core technical subjects. Hopefully, the September examination results may reflect significant improvements in the pass rates.

The Online coaching program for March 2022 examinations have already open for registration. Joining the online coaching program will enable students to make early planning of their next round of examinations with more time for preparations.

An exclusive student support webinar program- Career Pathways for Actuaries has been conducted on 25th September to guide actuarial students and actuarial aspirants for their career planning.

The new normal has lead us to more in digital modes. We are conducting the actuarial examinations on digital modes for several diets. The new initiative of Digitization of our actuarial Magazine, The Actuary India 2.0, will be released soon with specified contents, latest updates and easy to read interface.

Office structure at IAI has been revamped to enhance the services provided to the internal as well as external stakeholders. The newly created Placement cell is expected to bring in lot many job opportunities in a time bound manner. I would request all the members and students to update their CVs in Actuarial Job Portal of the Institute.

As there are lot of things lined up, the coming months are going to be hectic but with the IAI team at office and support from other volunteers which we have, I am sure that, days are not far where Indian Actuarial profession will be playing a unique role in meeting challenges of the future.

Actuaries Day

21st August each year is celebrated as Actuaries Day in India. The reason behind this is the fact that on 21st August, 1893, the late **Shri L.S. Vaidyanathan** was born. He was the first Actuary of India. The growth of the actuarial profession in India is largely because of his magnanimous contribution to the profession. This year, this day was also celebrated as Onam. This day is a reminder of the rich foundations, the journey travelled by the founding fathers, the determination portrayed by those who followed.

The event was flawlessly hosted by Sana Konnur. She believes that We are the lesser known Covid warriors, silently estimating what the dreadful pandemic has or may cost us in the future. The day was started with the Presidential address. The President, Subhendu Bal, talked about how IAI has shown quickness to go digital due to the prevailing Covid scenario. He discussed the success of The Virtual Actuarial Conclave, online examinations, coachings and all related support for the actuarial education. He talked about MoU with the Government of India to support on the technical aspects of Ayushman Bharat, support to policymakers in aligning to newer emerging areas and other updates and developments of IAI. He emphasized on IAI 2.0 which covers the new educational policy, skill development, sustainable partnership with India Inc. and a very ambitious technological renaissance to see the Institute going from strength to strength. This was followed by a keynote address by the Chief Guest- Shri Amit Agarwal, Additional Secretary, Department of Financial Services, MoF, Govt. Of India. He talked about how actuaries should look back with pride over the past 95 years since the 1st Actuary qualified. He also talked about the critical juncture that the world is in with fundamental changes to the economies all around the world that need new pathways of development. There are new emerging risks- environmental, financial, cyber to name a few. An aging population is a reality that actuaries are in the best position to advise on in terms of a better pensionable society. Actuaries need to go beyond the tradition to newer risk areas, understand data and make meaningful sense of which for the future. There was a message from Louis Pryor, President IFoA where she talked about the change in how we have approached the problems of our clients, employers and society. She talked about how technology has not put us out of business. Instead, it has made us more efficient as Actuaries and then our newer areas like Big Data, Climate Change and Biodiversity risks that we all need to reskill ourselves for. This was followed by insights from special invitee, Nagendra D Rao, President, Institute of Company Secretaries of India. He had very profound messages drawing from our own culture with appropriate slokas. He reiterated our role towards the society and the country. He said – "Becoming a professional and leading a life of true professional calls for an attitude resonating with the nation's first approach. A true professional is a continuous attainer of great wealth, a continuous seeker of knowledge."

There was a huge amount of humanitarian and resources crisis across the world. IAI felicitated Anshu Gupta, Founder of Goonj, for the humanitarian support that he lent.

Intermittently there were segments of voices from industry experts. The key points from all the experts involved- Avoid using technical jargons, focus on improving communication skills, always bearing policyholders' interest in mind, upgrading with programming and data management skills. Also, there were poll questions floated to keep the participants active and engaged.

Preeti Chandrasekhar, Hon Secretary, IAI concluded the event with a Vote of Thanks. She extended her heartiest congratulations to the staff at the IAI whom she thinks have mastered the art of holding virtual events.

To wrap up, the event portrayed the fact that We have come a long way- To spell and explaining what the Actuarial profession is all about to people actually knowing about it. On this optimistic note, let's spread our wings, get out of our comfort zones as there is immense space where we can put in our efforts and come out with flying colours. Digitization is the way ahead. Trodding the unconventional paths could be really exciting and benefitting to the members of the profession.

Written by

Ritika Agarwal

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Ritika is a student member of IAI and IFoA. She is working currently as an Assistant Manager (Product Filing and Pricing) at a leading InsureTech. She is also a member of Banking Community Leadership Team at IFoA.

Webinar on Data Science and Analytics

Date: 31st July 2021; Saturday **Time:** 15:00 – 17:00 IST

Chair: Subhendu Bal, President, IAI

Moderator: Vamsidhar Ambatipudi, Secretary, Advisory Group Data Science & Analytics, IAI

Introductory Address: Heerak Basu, Chair, Advisory Group Data Science & Analytics, IAI

Speakers: Mohan Bhatia, Executive Director, IAI

Shailesh Dhuri, CEO, Decimal Point Analytics, Mumbai, India

Introduction

The eighth webinar on Data Science and Analytics started with an introductory speech by Heerak Basu, Chariperson of Advisory Group on Data Science and Analytics who briefed on the journey of the Advisory Group and various initiatives of the AGDSA since its formation. This was followed by the Presidential Address by Subhendhu Bal, President, IAI who welcomed the speakers and the Audience and gave a brief on the success of the Institute's online examinations and shared the improvement in the results of the IAI examination in the recent past exam diet.

Vamsidhar Ambatipudi, Secretary, IAI introduced the speakers of the session with his welcome address and set the context of the upcoming session by highlighting the importance of AI and machine learning in the current data explosive world and how these techniques help in actuarial applications.

Machine Learning for Investment Risk Management

The speaker Shailesh Dhuri, is CEO of Decimal Point Analytics who has almost two decades of experience in the technology industry. His theme of presentation was how ML can be used for modeling investment performance in Guaranteed products. In a highly uncertain economic environment, it is really hard to predict the investment performance over a long term. Historical experience may not hold good in the future. In this backdrop, he discussed about traditional methods of valuing investments - analytical models, Monte Carlo Simulation, Historical simulations, highlighting the shortcomings of these models in the present day scenario where the degree of unpredictable nature of the underlying variables is quite high and the correlations of different variables is difficult to handle.

The speaker gave an interesting anecdote of how a child learns different things by picking up each of the lessons taught and applying her/his own experience in the learning process. Similarly ML model building is a learning process wherein a basic model is built with a set of predefined set of instructions to start with and the output from the model is fed back for the model to learn from the experience like humans. A model is created to learn from text, pictures, videos etc.

ML Models for measuring investment performance

The focus was on the use of ML models on measuring the investment performance of the assured return products. ML models are able to capture effectively the various factors that drive the real life performance of guaranteed return portfolios- return behavior of underlying assets, correlations, reactions of other market players and policyholders, liquidity, etc. He discussed the capabilities of Artificial Neural Networks, Recurrent Neural Networks, Reinforcement learning, Adversarial AI and quantum computing. The choice of these forms of ML depends on the purpose of modeling and the computational complexity involved/ required.

Types of ML models

Artificial Neural Networks aim to solve problems that are impossible or difficult to solve by human or available statistical standards. A set of learning rules guide the ANN. A recurrent neural network is a form of ANN that uses time series/sequential data. They are distinguished by “Memory” as they take inputs from prior inputs to influence current inputs and output. Thus they try to learn from the previous experience to produce current output. Reinforcement Learning Model is a behavioral learning model where the algorithm provides data analysis feedback, directing the user to the best result. It is extensively used in BFSI sector. The speaker also shared the experience of how RL model was built in Decimal Point Analytics to predict investment returns.

Challenges in ML modeling

Adversarial AI models as the name suggests exploit the way Artificial Intelligence Algorithms work to disrupt the Behavior of Artificial Intelligence Algorithms. So there is an increasing concern that these AI algorithms may be used in a destructive manner. The latest development in this arena is the introduction of quantum computing which has abundant computing power in short time. At present quantum computers have to be hired at an hourly rate for use and it is very expensive. However, it is widely used in portfolio optimization modeling to enhance investment returns. A lot of research is still going on in this area and we can expect wide applications of quantum computing in different areas of BFSI.

Monitoring Credit Risk using Data Science

Another interesting topic for the day was the presentation by our Executive Director, Mohan Bhatia on the application of Data Science for monitoring Credit risk thereby generating early warning Signals. He discussed about the existing practices/models - Commercial Credit, Hybrid Models, Country Risk Models, Structural Models, Risk Factors based Credit Scores, Credit Rating, Transition Matrices and their limitations and how Data Science and ML models can overcome these limitations. One major limitation of analytical credit risk model is the lag in the collection of data that is easily handled by ML model as it is capable of handling real time data and unstructured data. DS/ML models handle huge volumes of data and transform them into useful decision making points.

Early Warning Signal (EWS) Models

EWS models built using DS and ML can go a long way in improving the function of credit department in a bank by making them aware of the credit risks they are exposed to well in advance and thus guiding them to make appropriate correctives measures on time. The predictive power of these models can generate early alerts in most of the functions of credit department in a bank – Administration, Underwriting, Credit risk office. EWS models can also be built for specific purposes like predicting external events like earthquakes, floods etc. and their impact on the credit risk exposure. Stress testing models can be built for assessing the rise or fall in the value of the collateral based on the variability of the underlying economic factors which are correlated and these correlations can be handled more efficiently by ML models. The interaction of different parameters and the qualitative factors including behavioral aspects of the borrowers/customers can be handled effectively by ML models which can improve their predictive power that helps in managing the credit risk of the banks. The speaker illustrated the predictive power of ML models using a case study by a lending payment bank.

Conclusion

The webinar was very topical and has thrown open the ideas for the use of predictive modeling widely used by actuaries in other non-traditional areas. The session ended with vote of thanks by the Secretary AGDSA acknowledging the efforts and time given by the speakers, IAI team, President, IAI and the advisory group members.

Written by

Subbulakshmi V

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Subbulakshmi is a fellow member of the Institute of Actuaries of India and is a consulting actuary in areas of Life Insurance, General Insurance, Pensions and Investments.

Webinar on Legislative Overview and Description of the Codes 18th Current Issues in Retirement Benefits (Day 1)

Date: 6th August 2021; Friday **Time:** 11:00 - 12:30 IST & 14:30 - 16:30 IST

Presidential Address: Subhendu Bal, President, IAI

Moderator: Kulin Patel, FIAI, Chairperson, Advisory Group on Pensions, Other Employee Benefits and Social Security, IAI

Speakers: Preeti Chandrashekar, FIAI, India business leader Health and Wealth, Mercer

Vipin Arora, Managing Director, InvokHR

Baldev Raj Sachdeva, Advocate, B Raj Sachdeva & Co.

Venkatesh Bhat, Managing Partner, Astravise LLP (CFO services)

Introduction

With an aim to propel India into the top rankings of World Bank's Ease of Doing Business, the Government of India introduced the below 4 labour codes -

- The Code on Wages, 2019
- The Code on Social Security, 2020
- The Occupational Safety, Health and Working Conditions Code, 2020
- The Industrial Relations Code, 2020

These codes amalgamate 29 of the existing laws, some of them dating back to the pre-independence era.

The Code on Wages, 2019 was notified by the government on August 08, 2019, and the remaining 3 labour codes were notified on September 29, 2020. These codes will come into effect once all the State governments have framed their own set of rules.

While most Actuaries working in the field of Pension and Employee Benefits consulting have a fair understanding of the implications of Code on Social Security, 2020, it is also imperative to gain a detailed understanding of the other codes to better support the Corporates. With the aim of achieving this objective, a webinar titled "Current Issues in Retirement Benefits: Legislative Overview and Description of the Codes" was conducted by the Advisory Group for Pensions, Employee Benefits and Social Security on August 06, 2021.

Kulin Patel welcomed the participants and gave a snapshot of various sessions that are planned as part of the 18th CIRB Online series. He then reached out to the IAI President Subhendu Bal to address the participants.

Subhendu Bal highlighted the gaining importance of Employee welfare and social security due to rising longevity and increasing need for adequate income as well as health protection in old age. He underlined the significant role of the codes in ensuring wider coverage of employee benefits to larger workforce and more specific to the informal sector.

Background

Baldev Raj Sachdeva started the session by giving a legal background of the codes and how these labour codes have evolved over the years. He revealed that the 1st step towards the new labour codes was taken in 1999 by setting up of the second National Commission on Labour (NCL). The Commission submitted its report in 2002. However, it took almost 2 decades for their recommendations to see the light of the day in the form of these 4 labour codes.

The presentation was then handed over to Vipin Arora, who elucidated the key objectives behind the introduction of these 4 labour codes. **The new labour codes are aimed at simplifying of laws, eliminating multiplicity of definitions, greater use of technology, easing compliance, ensuring effective enforcement of these laws, and increasing transparency and equity.**

Before diving into the key highlights of the codes, he brought forward a few important aspects that are common between all the 4 codes. These include the introduction of 'Inspector-cum-facilitator', consistency in the definition of wages across all Codes and the provision for compounding of offenses.

Code on Wages, 2019

This code subsumes the below existing Acts-

1. The Equal Remuneration Act, 1976
2. The Minimum Wages Act, 1948
3. The Payment of Wages Act, 1936
4. The Payment of Bonus Act, 1965

Key highlights of this code are:

Changes	Impact
New definition of Employees and workers	Employees - Coverage of managerial, supervisory category – financial impact, change in policies, process. Workers - covers only non-managerial or non- supervisory staff
New definition of Employers	'direct or indirect employment' added.
Revised definition of Wages	Multiple interpretations removed Impact on wage structure – may need revision, many allowances need to be reviewed/modified/ removed Financial impact on employer (on liabilities like Gratuity and Leave Encashment) Taxation or take-home salary impact on employee
Minimum wages	National level floor wages
Exit definitions inclusions of 'voluntary'	Change in payroll process – settlement in 2 days
Compliance	Claim period and records, penalties - process
Statutory bonus	New limits – yet to be notified. Additional criteria for disqualification - Earlier it was primarily for misconduct, theft, fraud, now sexual harassment has also been included as a criterion for disqualification.
Overtime	Financial impact due to increased coverage

The speakers added that the new Wage definition code is expected to be beneficial to all the 3 stakeholders – employees, employers, and the government-

- Employees stand to gain since it is expected to result in increased PF contributions, leading to higher retirement savings for the employees.
- For the employers, there is more clarity regarding the definitions in the Code which will reduce the risk of litigation.
- For the government, higher taxes are expected on the salary income.

They also pointed towards some of the aspects that might be of concern to the Corporates-

- The revised definition of Wages is expected to reduce flexibility for employers in determining the basic wage and allowances in the salary structure. The Wage code has clearly defined the salary components which need to be included in the calculation of Wages (known as "Inclusions"), components to be excluded (known as "Exclusion"), with the "Exclusions" capped at 50% of the total remuneration.
- The Code provides for setting up of Central Advisory Board by the Govt. to advise on the implementation of Wage code. The recommendation of this Board must be compulsorily accepted by the State Advisory Board.
- Earlier there was a threshold on the no. of employees to be covered under this labour regulation. Now the threshold has been removed.
- Inspectors have been given the power of search and seizure if they believe there has been a violation.

Code on Social Security, 2020

This code subsumes the below existing Acts -

1. The Employees' Provident Funds and Miscellaneous Provisions Act, 1952
2. The Employees' State Insurance Act, 1948
3. The Payment of Gratuity Act, 1972
4. The Maternity Benefit Act, 1961
5. The Employee's Compensation Act, 1923
6. The Employment Exchanges (Compulsory Notification of Vacancies) Act, 1959
7. The Cine-Workers Welfare Fund Act, 1981
8. The Building and Other Construction Workers' Welfare Cess Act, 1996
9. The Unorganised Workers' Social Security Act, 2008

Key highlights of this code are

Changes	Impact
New groups added	Coverage of 'gig' and 'platform' workers List of aggregators introduced as digital intermediaries with mandatory contribution to social security fund
Definition of 'employee' included	Earlier missing from Maternity Benefit, Welfare Fund Act
Gratuity coverage enhancement	For fixed term employees, Expats, Contract labour – increased financial impact to employer
Compliance	Appeal procedure and limitation period curtailment
PF & related schemes continuity	1 year period provided at same level thereafter increased contribution
Opt-in and opt-out in voluntary coverages	Change in process/policy
ESI coverage	New limits to be notified Coverage may be extended to unorganized sector, gig-workers and even self-employed
Introduction of Career centres	Job vacancies and vocational guidance for job seekers

The speakers also stated that under this code, the government is proposing set up of a National Social Security Board which will create a Social Security Fund to implement schemes under the Social Security code. When the rules are notified, the National Board might introduce some additional schemes apart from the existing schemes like PF and ESI that will be applicable to employees of unorganized sectors, gig workers, platform workers, etc.

Further, under the new code, the EPFO coverage will be applicable on all establishments having 20 or more workers. Earlier it was applicable only to establishments included in the schedule attached to the Act.

The Occupational Safety, Health and Working Conditions Code, 2020

This code subsumes the below existing Acts-

The Factories Act, 1948

1. The Contract Labour (Regulation and Abolition) Act, 1970
2. The Inter-State Migrant Workmen (Regulation of Employment and Conditions of Service) Act, 1979
3. The Plantations Labour Act, 1951
4. The Mines Act, 1952
5. The Working Journalists and other Newspaper Employees (Conditions of Service) & Misc. Provisions Act, 1955
6. The Working Journalists (Fixation of Rates of Wages) Act, 1958
7. The Motor Transport Workers Act, 1961
8. The Beedi and Cigar Workers (Conditions of Employment) Act, 1966
9. The Sales Promotion Employees (Conditions of Service) Act, 1976
10. The Cine-Workers and Cinema Theatre Workers (Regulation of Employment) Act, 1981
11. The Dock Workers (Safety, Health and Welfare) Act, 1986
12. The Building and Other Construction Workers (Regulation of Employment & Conditions of Service) Act, 1996

Key highlights of this code are

Changes	Impact
Applicability of Contract Labour	Definition of 'core activity'- may impact workflow and many operations
Migrant workers	Benefits on portability of ration
Licence procedure	Electronic, validity period for Contract labour license is now extended to 5 years. In terms of protection, earlier contractor was responsible for welfare facilities, now the principal employer is also responsible for that. The contractor cannot recover any charge or commission from the contract labour.
Night shifts for women	Relaxation but on consent and safety / working conditions prescribed
Provisions of facilities - changes	Cafeteria, creche – changes in process, financial impact
Health standards	Prescribed manner, annual health check-ups for every worker above a certain age.
Appointment letters	Mandatory information – change in policy/process
Leave Encashment - introduction	Provisions introduced for annual encashment / carry forward
Overtime - conditions	Consent introduced; definition of employee may get impacted
Welfare officers	earlier for factories with more than 500 employees a welfare officer was required, now it is more than 250 ppl.
Additional provisions added – Right of Employee	To seek information related to the safety for the employment. Includes basic working conditions in terms of safety, in terms of ensuring that there is right information that an employee gets, also the kind of wages the person is paid

The Industrial Relations Code, 2020

This code subsumes the below existing Acts-

1. The Industrial Disputes Act, 1947
2. The Industrial Employment (Standing Orders) Act, 1946
3. The Trade Unions Act, 1926

Key highlights of this code are -

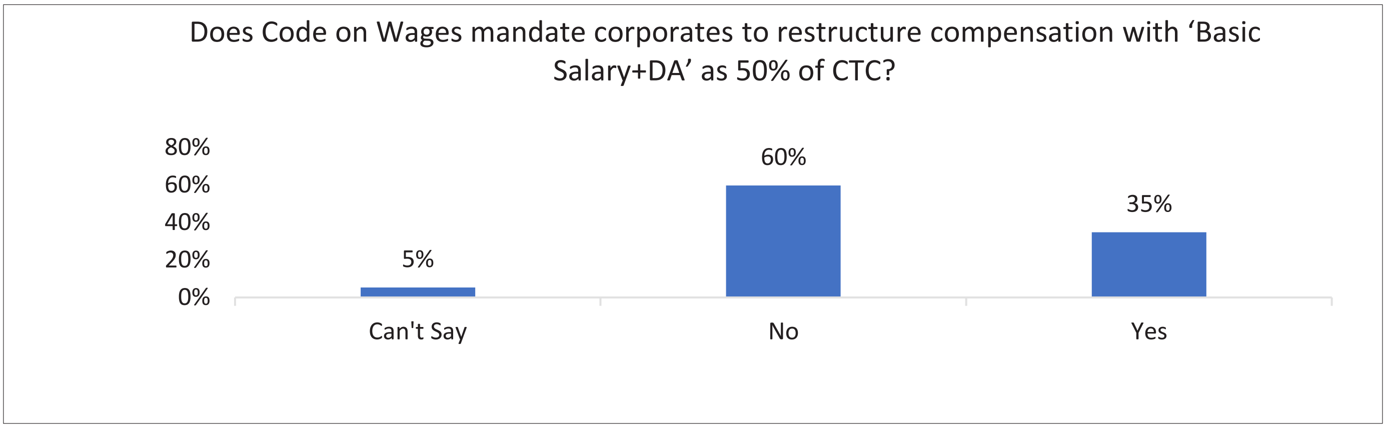
Changes	Impact
New definition of 'worker'; the term 'workmen' removed	Increased coverage and threshold from INR 10,000 to INR 18,000
Concept of 'negotiating unions'	New feature added – membership of 51% workers required to negotiate.
Strikes/lockouts provisions	Notice period changes to 60 days
Layoff/ retrenchment provisions	Threshold changes - relaxation
Grievance committee role enhanced	Mandatory for worker to approach Grievance committee before reaching Conciliation officer
Disciplinary Proceedings	Time limit fixed as 90 days vs no such mention earlier, needs internal process improvements
Standing orders	Union's role added, threshold increased from 100 to 300 workers

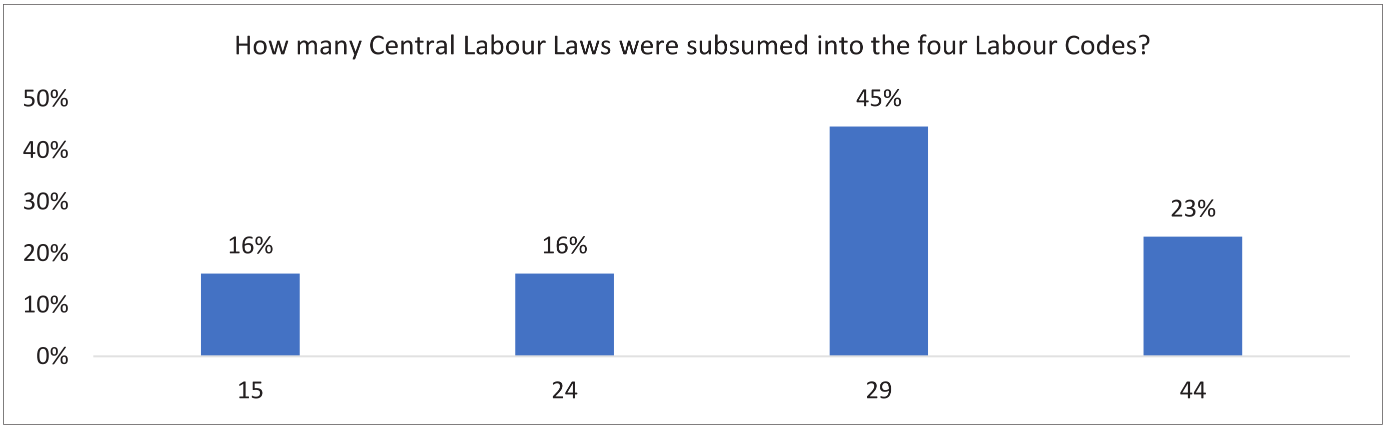
- The speakers added that under this Code, a limitation period of up to 1 year has been fixed for recovery of money from employer in case of any dispute. Another key change is the restriction on 'Flash strikes'. Similarly, mass casual leaves on a given day by 50% or more workers will be counted as flash strike and deemed illegal.

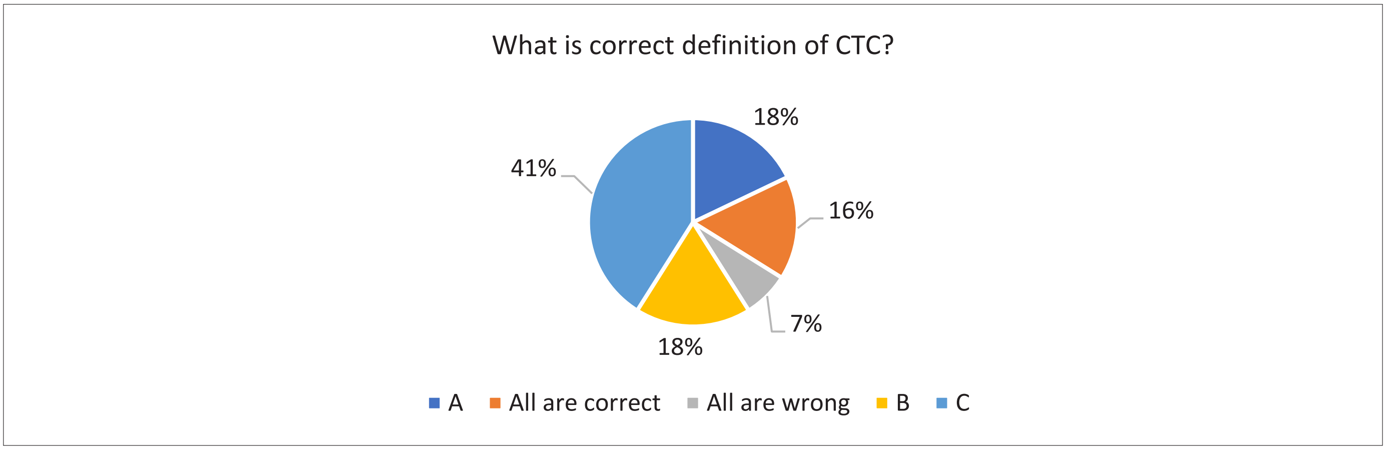
Conclusion

As closing remarks, the speakers reiterated the importance of looking at all the codes together as there are some areas of overlaps/ cross-references. Further, in case the companies are planning to revise the salary structure to comply with the new wage definition, consideration needs to be given to balancing 'taxation aspects' and 'take-home salary'. They also pointed out that there remain some 'grey' areas in the Codes pertaining to key aspects of overtime, working hours application in WFH/hybrid working environment which will become clear once the State rules are finalized.

In order to make the webinar more interactive, the speakers also arranged for few online poll questions.







A = Basic+ HRA+ Conveyance+ Skill Allowance+ Special Allowance+ Employer's PF
B= A plus Gratuity and Statutory Bonus
C= B plus Variable Pay

The Session A of the Webinar was concluded with Vote of Thanks from the President of IAI and Kulin Patel with the promise to connect again in the 2nd half for the Panel Discussion on the subject.

Highlight of Panel Discussion and Q&A session -

1. What are certain specific impact of Labour codes on various domain of work –

a. Preeti Chandreshekar highlighted that the major discussion on the Labour Codes with the companies remains around the **Accounting Valuation of the Employee Benefits** i.e. impact of liabilities on Balance sheet and P&L of the company, etc.

However, companies have started understanding that the long term cost and risk associated with the **Employee benefits' costs can be managed with the focus on the inherent fundamentals which make up these cost.**

Further, in addition to the Central government laws, the companies have also started focusing on understanding the compliance required under various State Government laws (Eg. Shops & Establishment Act) which may have an impact on cost associated with employee benefits.

b. Venkatesh Bhat mentioned that there are multiple aspects which may impact the corporate sector in India due to implementation of Labour codes in short terms as well as long term.

Further, the implications on the small and medium enterprises would be different from those on big companies. **Also, the cost implication due to Labour codes, especially due to change in definition of *'Employee'* and *'Wage'*, would be very company and sector specific**. Further companies also have to take stock of certain changes in the compliance and processes that they have to implement to be in line with the Labour codes.

Further, due to change in Definition of wage, the impact cost of the same on company might also depend on the type of employee of the employment (unionised and non-unionised). In case of unionised workforce the impact of the cost may have to be majorly borne by the company itself.

c. Baldev Raj Sachdeva highlighted that the **companies are majorly reviewing cost associated in transition from existing setup to new setup w.r.t. Labour Laws**, which has enabled companies to understand cost impact due to increase in wages, increase in contribution, increase in leave encashment benefit and increase in gratuity benefit.

d. Vipin Arora mentioned that one of the major reform in the said Labour codes is inclusion of Un-organised sector and Gig economy, which may result in increased coverage of employees under various Labour laws.

Further, Companies are now reviewing the readiness to the changing landscape w.r.t. Labour laws which might come in due to implementation of said Labour codes. Also, **the impact on Companies would depend upon the integration between Central and State government on implementation of said Labour codes**.

2. Brief overview of Legislative process involved in enacting Labour Codes –

a. Bladev Raj Sachdeva gave an overview on the legislative process involved in enacting a particular law. Following is highlight of the said legislative process –

- Step 1 – Drafted Law is introduced in the parliament as a Bill
- Step 2 – Introduced Bill is then to be passed by both the houses of the Parliament (i.e. Lok Sabha and Rajya Sabha).
- Step 3 - In case of any further discussion required on the Bill, the same is then referred by concerned House to the joint parliament committee for their inputs until its approved by the respective House
- Step 4 – Final Bill is then presented to the President, who then may then give their assent to the bill
- Step 5 – Once the president assent is received on the Bill, the same becomes a Law (which is referred to as Act or Code)
- Step 6 – Detailed Rules are then drafted by concerned committees. Since labour is a concurrent subject, State government also has powers to frame rules based on their demographic requirements
- Step 7 - Rules framed by States government, post receiving concurrence from the central government are notified for implementation.

3. What are the provisions under any of the Labour codes which require careful interpretation or understanding –

a. Preeti Chandrashekar highlighted certain provisions under Code on Social Security that would require careful review and discussion with concerned stakeholders.

- The change in definition of Wage might not necessarily have major cost impact on all the companies. This would specially **depend on the current wage structure of the company, existing Gratuity benefit provided by company** (with or without cap on benefit), etc.
- Across Industry there is dual accounting methodology adopted for recognising the Cost impact due to implementation of said labour codes in the Balance sheet of company i.e. accounting cost impact as Past service cost vis-à-vis Other Comprehensive Income

b. Venkatesh Bhat highlighted that **the cost impact due to Labour codes would have to be incorporated in the Budgeting process of the Company.** Further, he mentioned that a layered approach through organisation should be adopted during budgeting process to understand exact cost impact due to the implementation of Labour codes

4. What would be average cost impact on Employer due to implementation of the Labour codes

a. Vipin Arora highlighted that in his view, the companies where salary structure is already organised, the impact on wage bill due to implementation of said labour codes would be very minimal. Further, he mentioned that **cost impact due to change in provisions relating to leave encashment and overtime pay might also have significant cost impact on the companies.**

b. Preeti Chandrashekar mentioned that one of the major cost impact on the companies is going to be from the possible change in quantum of Gratuity benefit. However, majority of the companies provide Gratuity benefit in line with the same prescribed under the Payment of Gratuity Act, 1972, which is capped to maximum gratuity amount of INR 20 Lakhs. Hence, **the cost impact on such companies, where Gratuity benefit is capped, would be very limited.**

5. As per the interpretation of the Labour codes, will the past service liability due to change in definition of wage especially for Gratuity and Leave encashment be from retrospective effect –

a. Baldev Raj Sachdeva provided his understanding of the law and current practise of accounting liabilities in the balance sheet of the company. He conveyed **that the past service liability due to the changes brought in by implementation of labour code in calculation of Gratuity benefit and leave encashment shall be from retrospective effect.**

6. Insights on change in provision relating to Leave encashment in The Occupational Safety, Health and Working Conditions Code, 2020 (***"OSH 2020"***). Also, how would various state government regulated Shop and establishments Act impact the same –

a. Baldev Raj Sachdeva highlighted that the provisions mentioned in OSH 2020 would supersede all other similar provisions in the other active laws of **the State government. Further, the State government laws may only prevail if the respective provisions are at par or better than those mentioned under OSH 2020.**

7. Impact on Fixed Term contract employee and Gig economy due to implementation of Labour codes

a. Members of the panel highlighted that as per the Labour code, the employees under Fixed term employment may now be eligible for various Employee benefits like Gratuity benefit.

b. Further, the Labour code also have introduced certain provisions to include workers in Gig economy under coverage of certain benefits

The Session B of the Webinar was concluded with vote of thanks from Kulin Patel to all the Panelist, members of Advisory group and members involved in drafting report of session.

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Webinar on Covid19 - Pensions, Other Employee Benefits & Social Security 18th Current Issues in Retirement Benefits (Day 2)

Date: 7th August 2021; Saturday Time: 11:00 - 12:30 IST & 14:30 - 16:00 IST

Chair: Sunil Sharma, Task Force Lead Employee Provident Fund Valuations, IAI

Moderator: Chitra Jayasimha, Task Force Lead Employee Provident Fund Valuations, IAI

Speakers: Souvik Jash and Chithra Suresh, Members of the Actuarial Oversight and Review Committee

Dinesh Pant, Appointed Actuary & Chief Incharge Actuarial at LIC of India

Dr. Sriram, Task Force Lead Employee Provident Fund Valuations, IAI

Hemanshu Jain and Ritobrata Sarkar, Task Force Lead Employee Provident Fund Valuations, IAI

Introduction

On day 2 of the 18th CIRB online series, Chitra addressed the participations and set the context of the webinar by explaining that it was to be held into two sections - forenoon and afternoon session. Each session had two modules covering topics on analysis of the new mortality table (IIAM 2012-15), overview of the annuity market in India, overview of the exposure draft of the revised GN29 and overseas market where similar plans exist in terms of interest guarantees.

Forenoon session

Introduction session 1

With increasing longevity rates, change in trends, and the previous study done for annuitants based on the period 1996-1998, the introduction of a new annuitant mortality table was long overdue. The previous annuitant mortality table (A1966) was based on the group life, male lives only and annuity type Return of Corpus (RoC) from various DB and DC group schemes, because the data relating to RoC was 60%-67% when compared with other annuity types, and the female lives were ignored due to a lack of data.

Souvik Jash and Chithra Suresh started the session with an overview of the newly published Indian Individual Annuitants (IIAM) Mortality table 2012-15. They both touched upon on the analysis process and commented about the key observations when the new mortality table was compared with the other published mortality tables.

The key considerations in the analysis were:

- Period of investigation – the claims from the period of 2012 – 2015 were used. The period of 2015--2018 was ignored due to a lack of completeness of the claims data.
- Age definition – The age definition used was age last birth and the rate interval was life year.
- Treatment of ECNR – Policies with the existence certification status as not received were treated as "Annuities in payment".
- Extension for higher ages – The graduated rates were extended up to age 115, making sure that the mortality rate is 1 at age 115.

Summary of the data:
From the combined data submitted by 24 different insurance companies, annuity with Return of Corpus (Roc) dominated the data. The proportion of the deaths and exposure data was 98% and 91% respectively for annuities with RoC option. Insurance Information Bureau (IIB) tested the data for accuracy and reasonableness, satisfied via reconciliations with different data sources. They carried out multiple rounds of iterations to ensure that the data used was error free.

The process:

- The age range 40 to 85 was selected since it covered 98% of the exposure data and 89% of the deaths data. This came as no surprise since very few annuitants are alive and only a few products are sold at old age.
- The graduation process was done using the Modified Heligman Pollard formula.
- Various statistical tests were performed for assessing goodness of fit, heterogeneity and smoothness.
- Graduation was done for deferred all genders, immediate all genders and combined – male, female, all genders.

Key observations

- Graduated rates vs. crude rates – after age 85 the crude rates were moving away from graduated rates. It was observed that the mortality rates increase at lower rate from age 40 and beyond 85 the rate of increase decreases.

- IIAM vs. A1996-98 and IALM 2012-15- it was found that on an average, the mortality rates were 33% lighter. When life expectancies under different mortality tables were compared, it was seen that it was the highest for the IIAM 2012-2015. At age 60, life expectancy was 23.5, 21.1 and 20.8 for mortality table IIAM 2012-15, A 1996-998, IALM 2012-14 respectively.

Closing comments

It was a first-time attempt to develop an individual annuitant mortality table since previous tables were based on group lives. It was a challenge to understand the past data and a judicious call was taken to include RoC annuity type only for the development of the new rates. The new mortality table should not be seen as an improvement over the old published rates. The mortality rates are lighter due to an increase of the life expectancy, changes in distribution methods, changes in underwriting processes etc.

Introduction session 2

Chitra started the second section with her comments on how in India, the defined benefit (DB) schemes have fallen out of favor, and with the introduction of NPS for government employees in 2004 and for all citizen in 2009, how the pension structure has moved towards the defined contribution scheme. Hence, the urgent necessity is to develop a robust annuity market in India that has flexible products including options such as joint life, certain and life annuity, etc.

The session was conducted by Dinesh Pant who gave an overview on the global ageing problem and how prevalent it is in India. The section also focused on the increased popularity of NPS, measures taken by the IRDA, and challenges in the Indian Market.

Overview on ageing TIME bomb

According to the World Bank, about 360 million people will reach age 60 by the year 2050, and there will be a shift in the global ageing population from 7 % currently to 20% in the next few decades. In India, it is expected that the by 2050, about 20% of the population will be over age 65. The social, economical, and political effect will be exacerbated by the increase in the old age dependency ratio. It is expected to increase from 142 i.e., one elder person for every working seven people as at 2011 to 192 i.e., one elderly person per five persons of working age by 2026. It is estimated that by 2050, this will be more challenging for the females since at a younger age group, their proportion will be less when compared to the male population and this is while we struggle to increase the financial independence amongst women. According to a survey almost two thirds of the respondents considered it their own responsibility to fund their retirement. This shows how the system is still lagging behind to provide retirement benefits.

Overview of National Pension System (NPS)

- NPS has been gaining popularity over the few years with higher tax benefits and returns vis a vis traditional product
- As of May 2021, the subscriber base under the NPS has increased by 23.58% to 428.56 lakh and the assets under management stood at ₹6,07,449 crore with an increase of 35.19% on a YoY basis
- No GST is levied when subscribers convert 40% corpus into annuity from NPS whereas 1.8% tax is levied on similar products offered by insurance companies.
- NPS provides tax benefit under Sec 80 CCD within the overall ceiling of ₹1.5 lakh under Sec 80 CCE
- Interestingly, more people over age 60 years (31%) have chosen the “active choice” when compared to people age below 60 years (28%).

Challenges for the Indian market

- Challenges in the investment market relate to the non-availability of appropriate long-term investments leading to asset liability mismatch, lack of opportunities for hedging, investments mostly in debt, and decreasing interest rate over the past few years
- Challenges in pricing relate to the non-availability of quality data, standardized mortality tables that need to be recalibration due to COVID impact, distribution channels, and commission structure
- Challenges from the consumers perspective include an erosion in value due to inflation, lack of tax advantages, hesitancy towards long term parking of funds, RoC appears more attractive to consumers due to specific social needs of leaving behind legacy for the family, lack of customer awareness and education

Way forward

Return of capital version is still dominant in India. There is a need to educate about how to exercise options which will help them in the post-retirement period. The take-up rates need to increase, a few options would be - tax reliefs, flexibility for withdrawals linked to old age needs.

The overall annuity market needs innovation and needs to leverage and add on the distribution network, lowering the cost of distribution. The role of public and private partnership is critical. Insurers would need to focus and improve their risk and capital management skills as well as review the product design and pricing approach to ensure products that fit the customer needs. This is required to reduce the risk of long term guarantees through innovative and alternative risk sharing mechanisms and product designs. Government will have to provide support in that direction by facilitating such long-term saving opportunities to encourage insurers to come up with products for those duration avoiding the ALM mismatches.

Afternoon session

Chitra welcomed back all participants and gave a brief introduction on the GN29 which is used for valuation of interest guarantee. With the introduction of the IND AS 19, changes in the evolving rules and regulation, changes in the investment strategy by EPFO, there was a need to open a channel to hear from all practitioners in the industry and come up with a revised draft. She went on to add about the other topics of Hybrid and cash balance plans that were to be discussed.

Introduction

Dr. K Sriram started the session with some legislative background which was followed by a focus on the general valuation principles, valuation principles and disclosure requirements of an exempt PF plan. He mentioned how the accounting standards prevailing in India i.e., AS 15(R) and IND AS 19 influence the exempt PF plan. As per para 26 of AS15 and Para 29(b) of Ind AS19, any defined contribution (DC) plan if offers a guaranteed rate of return is deemed to be a defined benefit (DB) plan. Hence the disclosure requirements need to be in line with that of a DB plan.

The Section 17 of the Employees Provident Fund and Miscellaneous Provisions Act 1952 (EPF and MP Act, 1952) empowers the EPFO to exempt any PF fund provided that the Employer to bridge the deficiency if the investment return falls below the rate of interest declared by the Government (EPFO).

The overall valuation process for an exempt PF fund starts with the data requirement which includes - employee level information such as inactive account balances, plan documentation, policies and practices, asset information, transactional flows. Some of the key assumptions used in the valuation such as future levels of interest rate guarantee, discount rate, mortality/mortality/attrition rates, expected rate of exit of inactive records, interest rate guarantee, expected yield on asset portfolio. The main three methodologies for a valuation are - Deterministic Modelling (including cashflow modelling approach), Option Pricing Approach, Stochastic Modelling Approach.

The session ended with the discussion on the additional requirements as per para 145 of Ind AS19 that need to be included i.e., Sensitivity Analyses of Discount Rate, Expected Investment, etc., asset liability matching strategies, funding Arrangements and maturity Profile of the DB obligations

Introduction (Section 2)

The session was kicked off by Ritobrata Sarkar with a description of hybrid plans and how these plans are extended to the draft GN 29 V2.0. Hybrid plans seen as having elements of both traditional Defined Contribution (DC) plans and traditional Defined Benefit (DB) plans, some examples include: Cash balance plans, Security-linked plans, Shared-risk plans. Hybrid pension plans are becoming more common globally and the accounting for these plans does not fall out easily from the application of the current binary accounting model, which was designed for traditional DB and DC plans.

Guidance on accounting of Hybrid plans - IAS19 vs. US GAAP

- Classification: Hybrid plans would not meet the definition of a defined contribution plan; and would therefore have to be accounted for as defined benefit plans. This is true for both the standards with no explicit guidance
- Measurement: again, no explicit guidance, projected unit credit method can be used. Under US GAAP, for certain Cash balance plans with a fixed interest crediting rate, specific guidance exists to follow Traditional unit credit (TUC) method

EFRAG discussion paper - 2019

The Discussion Paper explores alternative accounting treatments for post-retirement employee benefits (pension plans) promising the higher of the return on an identified item or group of items and a minimum guaranteed return (referred to as an 'asset-return promise').

Main driver: IAS19 was originally developed to cover traditional DB and DC plans and not hybrid plans but over last 2 decades, such plans have evolved to reduce exposure to pension risks. As the plans have elements of both traditional DC plans and traditional DB plans, concerns have been raised about the application of the DB accounting requirements to such plans. For example, IAS 19 requirements may result in recognizing a DBO even in cases when a further outflow of resources has a remote probability of occurring. Also, the requirements are perceived to be too costly and too complex to apply.

The paper also discusses potential alternative approaches such as:

Capped Asset return - The entity first projects the final benefit entitlement using the capped rate and compares this amount to the final benefit entitlement based on the minimum guaranteed return. The higher of these two amounts is used to determine the DBO. Computation similar to under IAS 19 method

Fair value-based - The Fair Value Based approach separately reflects the total contributions to date and accumulated returns (first component) and the value of the minimum return guarantee (second component). In other words, it bifurcates the 'higher of' promise and accounts for it as a separate financial instrument.

Fulfilment value - EFRAG has considered that pension plans with an asset-return promise and insurance contracts share a number of characteristics - an alternative could be a Fulfilment Value approach relying on concepts from IFRS17.

Ritobrata Sarkar was later joined by Hemanshu Jain to talk about a cashflow based approach (more on this below) that has been suggested along with all existing measurement approaches under the draft GN 29 V2.0. The method draws parallel from approach used to assess other similar hybrid plans like Cash balance plans of US. The method implicitly considers that it is the company that bears the loss in case of bad investments and not the employees.

Cash flows-based measurement approach

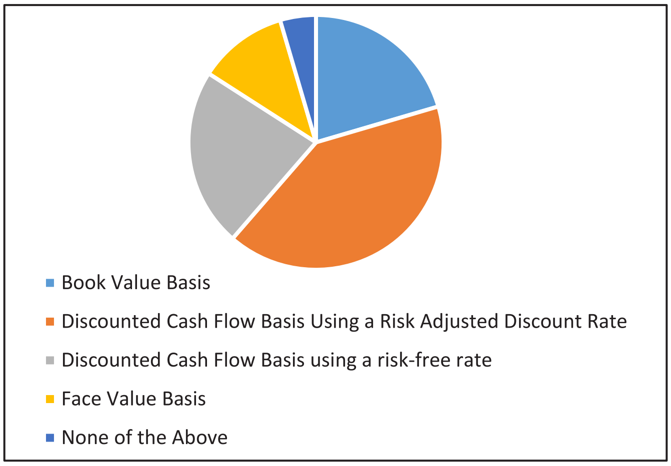
The account balances of the employees on the valuation date shall be projected in the future to the various ages at which, the employees are expected to exit the organization and withdraw the fund. The cashflows are projected using the contribution rate, an interest crediting rate assumption (expected long-term EPFO rate), and a salary increase assumption. To determine the PVO, the future projected benefits will then be prorated and discounted back to the valuation date (using the valuation discount rate), reflecting any decrement adjustments. The PVO calculated above is then compared to the value of assets to determine the net liability.

Summary and Conclusion

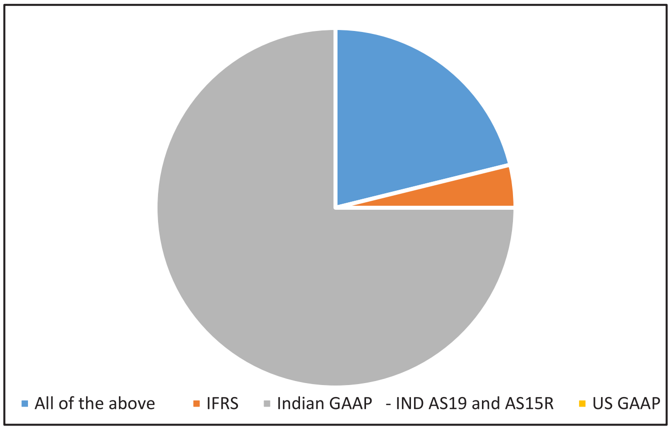
There is no explicit guidance globally with respect to the valuation of Hybrid plans. In the absence of a clear guidance, most companies / actuaries globally are generally using the PUC / TUC method for valuation of Hybrid Plans. However, there are issues with using the PUC method for valuation of hybrid plans. There is a need to monitor developments within the IASB, in connection with the alternative approaches explored in the 2019 EFRAG Discussion Paper. In the meantime, draft GN29 has allowed adoption of PUC / TUC method for valuation of Exempt PF's. This will ensure consistency with practice followed globally and aligned with the current IAS19 prescribed method for valuation of DB plans.

To make the webinar more interactive, the organizers also arranged for few online poll questions.

Question 1: How should we value an asset which does not have a quoted market value?



Question 2: Under which accounting standards have you done a reporting for exempt Provident fund schemes in past?



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Webinar on Current Issues in Retirement Benefits - Gulf Region Updates and Investment landscapes in India (Retirement Benefits)

Date: 11th August 2021; Wednesday   Time: 14:00 – 15:30 IST

Moderator: Kartikeya Kandoi, FIAI, FCA, Secretary, Advisory Group on Pension, Other Employee Benefit & Social Security, IAI

Speakers: Chris Cain, Client services Director (Middle East), Equiom

Claudia Maldonado, Principal, Mercer Wealth, Mercer, Middle East

Sajeev Nair, Senior Executive Officer, Zurich Workplace Solutions

Attish Yagnik, Senior Associate, Indian Investments, Mercer, India

Introduction

The Institute of Actuaries of India conducted a webinar showcasing the retirement benefit updates from around the world on Day 3 of its webinar series - "Current Issues in Retirement Benefits". The first half of the afternoon session focused on the retirement benefit updates from the Gulf region updates. This encompassed an overview of the DIFC Worker's Savings Plan (DEWS Plan) launched during February 2020.

Kartikey Kandoi started the session by giving a brief introduction of the speakers.

Solutions offered by the DEWS Plan

Chris Cain represented Equiom and started the session with giving an overview of the parties involved with the DEWS Plan - Equiom, Mercer and Zurich Workplace solutions. They play the role of Master Trustees, Investment Advisor and Plan administrator respectively. The key challenges faced by governments, employers and employees in the GCC and UAE regions with regards to EoSB were discussed briefly. Some of them are:

1. Lack of understanding and trust among the employees about their EoSB payments
2. Existing Liability across the GCC of USD 60bn approximately and growing
3. Funding EoS payments etc

How the DEWS Plan resolves these challenges is summarised below

1. DEWS provides a modern savings plan for employers and employees which offsets their EoSB liability on a monthly basis.
2. Employees have a better understanding of their EoSB and have greater financial independence.
3. Efficient enrolment for employers and automated administration process.
4. A wide range of investment options and guidance tools available for the members to make an informed decision.

Funds associated with DEWS Plan

Claudia Maldonado represented Mercer Financial services and gave an overview of the range and structure of the funds for Plan. The plan has 5 core risk funds for members to choose from based on their risk appetite and return expectations. These are – low growth, low moderate growth, moderate growth, moderate high growth and high growth. The fund performance upto 30 June 2021 has been exceptional and the statistics of the same were also discussed.

Track record of DEWS Plan

Sajeev Nair represented Zurich Workplace Solutions and gave an overview of the track record of the DEWS Plan since its inception upto June 2021. Since inception, 21,000+ members and 1,251 employers have registered with the plan. There are approximately $182 million AUA. Launch of DEWS has increased awareness of EoSB and increased confidence of payment. Enrolment into the plan is completely online and the members can access their account through an app. The app also provides facilities such as a virtual assistant (Zavi), track fund performance, reminders for tax information & contributions, quarterly newsletters etc.

With this, the first half of the afternoon session concluded and Kartikey Kandoi introduced Attish Yagnik for the next half.

Introduction

The second half dealt with the Investment Landscapes in India for retirement benefits and comprised of the pension coverage in India, regulatory and market landscapes for pensions, current trends and market outlook.

Structure of pension market

The pension market is divided across 4 segments:

Segment	Examples	Market share
Universal social security	Central and state schemes	0.5%
Old DB schemes	Central/state governments, PSUs	3.50%
Occupational pensions	EPFO, NPS for government employees etc	82%
Personal pension	Mutual funds, Insurance plans etc	14%

Regulatory and market landscape

The allocation of funds of various schemes is water tight in India where regulation dictates the allocation percentages for the schemes into various asset classes. Some of them include Government securities, debt instruments, equities etc. The allocation into these asset classes for schemes such as EPF, SAF, GF and NPS were discussed.

The market size of fixed income securities in India is largely dominated by Government securities and bonds. The indicative spreads on various fixed income securities relative to a G sec benchmark were also shown. The asset allocation of NPS and EPFO schemes were also discussed.

Current trends

The current market situation in India with respect to investments made by pension funds can be summarised into 3 points below:

1. Transition from DB to DC plans is gaining popularity
2. Thrust on reforms in the Indian Debt Market
3. Passive investments are gaining momentum in equity market.

Market outlook

With respect to fixed income markets in India, there is caution with respect to volatile interest rates due to economic recovery and upside inflation risk. The RBI may support growth trajectory and keep an eye on upside risk to inflation. With respect to equity markets in India, the equity investments will be looked at from a long term investment point of view with neither aggressive nor negative approach.

For Pension funds, due to the recent credit crisis in the Debt market, the Government and private pension funds, mutual funds, insurance companies had an impact on their bond portfolios. This caused the various parties to relook at their investment strategies to optimize returns and strengthen risk management practices. Active fund management could be a new normal.

The afternoon session was concluded with Vote of Thanks from Kartikey Kandoi on behalf of the Advisory Group of on Pension, Other Employee Benefit & Social Security, IAI.

Thank You

Written by

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Webinar on 18th Current Issues in Retirement Benefits (CIRB)

Date: 11th August 2021; Wednesday **Time:** 17:00 – 18:30 IST

Moderator: Kartikey Kandoi, FIAI, Secretary, Advisory Group on Pensions, Other Employee Benefits and Social Security, IAI

Speakers: Ephraim Sudwerts, ASA, Principal, New York People & Organization Practice, PwC

Mahasen Kunapuli, FSA, Director, OWT Practice Leader, PwC

Topic: Retirement Market in the United States A Brief

Introduction

Mahasen started off the session by giving the background and broad comparison of DB and DC schemes in the US. He also mentioned about the migration of DB schemes to DC schemes as seen all over the world in general. He would go through whether complete DC schemes are better or not and the concept of hybrid plans which is a mixture of both DB and DC plans. Further as per the agenda for the session, he would introduce the accrual rate and replacement ratios for different types of DB plans and then end the session with the kind of reforms that the US government is providing in the wake of the pandemic and what it means for DB plans and how employers can take advantage of it.

Defined Benefit and Defined Contribution Plans

The pension plans available in the states can be broadly classified into two categories – Defined Benefit (DB) and Defined Contributions (DC) plans. Mahasen informed that the DB plans have been in existence for probably more than 100 years and gave examples of IBM, AT&T in the US.

There are broadly three types of DB plans that are prevalent in the US as follows:

1. Final Average Earnings (FAE)
2. Career Average (CAE)
3. Flat dollar

For all the above types, the pros and cons were also discussed where pros of FAE and CAE may lead to good retention mechanism whereas flat dollar may be cheaper cost wise to employer. The cons of FAE and CAE being costly for employers and slightly less benefit given in flat dollar plan.

The DC plans are categorized as follows:

1. 401 (k) plans – The contributions limit being set as $19,500
2. ESOP's
3. Profit Sharing – The contributions limit bet set as $58,000
4. Simplified Employee Pension Plan

Ephraim highlighted the fact that the limits as per the US government are employer vide. This means that if the employer has multiple DC plans, the limit remains the same as specified and cannot be increased.

DB or DC - Which one is better?

Today's reality is that increasingly, plan sponsors are trying to find practical ways to evolve the DC structure away from its original purpose as a supplementary savings plan to be more effective as a retirement plan for both sponsor and participant.

The way forward - Best of both worlds

Looking at the features of both DB and DC plans, it seems fair to say that both of these structures come with their own pros and cons. It seems only natural to design a hybrid version in order to tap the respective advantages of both. There are 2 most common hybrid designs that are being used as retirement savings instrument in USA nowadays -

1. Cash Balance Plans - A cash balance plan is a Defined benefit retirement plan that maintains hypothetical employee contributions like a defined contribution plan
2. Variable Annuity Plans - A defined benefit pension

plan where benefits change based on the return of the plan's assets

Some Interesting Facts

There were two graphs shared by Mahasen to make the session more interesting.

One graph was related to the Asset Investments in DB and DC in the US. It showed that on one side where the private sector has shifted significantly from DB to DC plans, whereas on other side the public sector still has significant portion of assets DB plans. The most significant amount of assets are in the Individual Retirement Accounts which are again a defined contribution arrangement.

Other graph was about the Composition of US Retirement market in relation to DB and DC plans which was based on 2018 data. It showed that 94% of plans were DC plans whereas only 6% of plans were DB plans.

Accrual Rate and Replacement Ratios

An Accrual Rate is the rate at which pension benefit is built up as pensionable service in a defined benefit scheme. Often expressed as a fraction or percentage of pensionable salary.

A Retirement Replacement Rate is the percentage of a person's pre-retirement income that will be needed for the person to maintain the desired standard of living after retiring.

Mahasen then showed the graph showing the benefit builds up as a percentage of salary for various types of DB plans for various ages. He also showed a separate graph for accrued benefit progression for various ages for different types of plans.

Reforms in wake of Pandemic

1. The American Rescue Plan Act (ARPA) – March 11, 2021 – With the aim of helping the ailing economy, the ARPA provides pension funding relief along with health, welfare, and employment measures intended to help employers and plan sponsors respond to the challenges fueled by the COVID-19 pandemic.

   Much of the existing funding relief was set to begin phasing out this year, but ARPA kicks the can down the road to the end of this decade, tightening the corridor around discount rates tied to the 25-year average and setting an explicit floor on those rates. ARPA also grants permanent relief by lengthening the period over which gains and losses have to be amortized.

2. The Coronavirus Aid, Relief and Economic Security Act (CARES)– March 27, 2020 – Which focused on maintaining liquidity for plan sponsors by deferring contributions

3. The Consolidated Appropriations Act (CAA) - December 27, 2020 – Which aimed at fast and direct economic assistance for American workers, families, small businesses, and industries.

Conclusion

Mahasen and Ephraim emphasized on the fact that both DB and DC plans has their own pros and cons and while DC plans are more in existence, the DB plans are still more prevalent in the public sector in the US. With the advent of hybrid plans like cash balance and variable annuity plans, the plans have really been the way forward with the benefits of both DB and DC plans put together.

Lastly, in the wake of the Covid-19 pandemic which has gripped the entire world, the US has come up with various rescue plans for the DB and DC plans like the ARPA, CARES and the CAA which all aim at providing seamless and faster assistance to all Americans as whole.

Written by

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4th Webinar on General Insurance - Reinsurance structure of a General Insurance Company

Date: 25th August 2021; Wednesday **Time:** 16:00 – 17:30 IST

Presidential address: Subhendu Bal, President, IAI

Presentation: Madhulika Bhaskar, GM & FA, GIC Re, India

Question and Answers: Ashwani Kumar Arora, Member, AGGI, IAI

Closing Remarks: Sourav Roy, Secretary, AGGI, IAI

Introduction

Subhendu Bal opened the webinar by welcoming the participants and speakers. He expressed satisfaction with the vaccination drive pan India and hoped worst was behind us and situation improves for everyone going forward. He highlighted that despite covid challenges, IAI has been successful in serving its members without disruption by conducting online exams, offering online exam tutorials, bringing knowledge sessions in form of interesting and useful webinars.

Ashwani Kumar Arora then gave an introduction of the speaker Madhulika Bhaskar from GIC Re. Madhulika Bhaskar is currently working as General Manager, Financial advisor & Chief of internal audit. For 25 years of her over 33 years of continuing service with the GIC Re, she has worked in Reinsurance operations, Aviation and Technical department. She has shouldered the position of Chief risk officer for 7 years.

Forms of reinsurance

Keeping in mind the wide audience group especially the student members, Madhulika started the session by briefly touching base on main forms of re-insurance.

- Treaty reinsurance is an automatic way of risk transfer at pre-agreed terms and rates, taken for entire portfolio or individual class of business. It provides the cedant with automatic upfront capacity to underwrite more risks, bigger risks at the same capital. This is taken for typical or standard risks. Reinsurers as a control measure usually keep conditions on the maximum size, amount of risk [event limits] which can be placed or certain risks [like petrochemical risks] which cannot be placed under a treaty
- On the other hand, Facultative reinsurance is a risk-by-risk transfer mechanism, where rates and terms are arrived and negotiated on per risk basis after careful consideration. This is taken for non-standard, atypical risks. For risks which cannot be auto placed under a treaty, insurers take a facultative reinsurance. Facultative being a single risk transfer becomes time consuming and administratively difficult to manage

Another way of looking at form of re-insurance is whether risk transfer is on risk sharing basis (proportional) or claims sharing basis (non-proportional). Both treaty and facultative re-insurance can be arranged on proportional or non-proportional basis, but she highlighted that in India unlike abroad, non-proportional facultative business is yet to take off.

- In proportional reinsurance, both premium and claims are divided on a pre-defined ratio basis. There are event limits which define the maximum amount of loss which can be transferred under this arrangement. It can further be taken in form of
  - Quota share, where premium and claim are shared equally on a pre-defined proportion with proportion remaining same for every risk
  - Surplus treaty, where premium and claims are split on a ratio basis, but ratio can vary in rangebound manner from risk to risk

- In a non-proportional reinsurance claim beyond a certain pre-agreed threshold upto a certain limit becomes payable. It comes with a vertical limit which is defined by the loss limit per risk or event and a horizontal Limit defined by the number of reinstatements. Hence it provides an important but limited cover for the risks. It can further be taken in form of
  - a per risk basis to protect against large loss from a big risk or
  - per event basis to protect against accumulation loss from catastrophe events
  - Stop loss to protect against portfolio deterioration from volatile line of business

Typical reinsurance structure of a general insurance company

After coverings basic forms of insurance, she moved to the topic of typical reinsurance arrangements seen in general insurance companies. Depending on the maturity, size and objective of the insurer, reinsurer structure varies. She mentioned that for a new company, whole account rather than class of business wise treaty can be provided which is more economical, as each individual class of business would not have achieved the critical size. As the company grows, class of business wise treaties should be arranged as each line has its own idiosyncrasies.

She highlighted that for a company typical reinsurance structure is a combination of proportional cover for automatic risk capacity and a non-proportional treaty to protect the net of proportional cover retention on a per risk basis or a per event basis.

Apart from risk transfer, when a company is new or an established company is entering a new line of business-like cyber liability or overseas medical insurance, reinsurance provides valuable supports in designing product terms and condition, claims manual, underwriting guidelines. Surplus treaties can be used in conjunction with quota share treaty for mature portfolio to further curate the portfolio volatility of the cedant.

Non-proportional re-insurance is taken for low, unpredictable frequency and high severity events. While stop loss reinsurance is taken for high volatility portfolios like agricultural insurance.

Multi-year Multi-line (MYML)

After covering the topic basic forms of reinsurance and typical reinsurance structure, she explained the motivation of multi-year and multi -class reinsurance treaties. She explained that MYML is just a combination of basic yearly forms of insurance explained in earlier sections. She then highlighted, how it can be a win-win for insurers-reinsurers. Being a multiyear arrangement, reinsurers do not expect full utilization of capacity every year, multi-year treaties free up capital of the re-insurer leading to a better discount on rates to the cedants. In a multi class of business reinsurance, reinsurers gain in form of better diversification which they can pass back partially in form of package or bouquet discount.

Performance assessment of treaties

She then moved to ways to assess treaty performance. Reinsurers due to lack of direct sight of the actual risk assess a cedant basis whole book profitability, quality of management, underwriting. Reinsurers underwrite the cedant and not the risk. Typical performance measures are underwriting year loss ratio, return on capital, years to recoup losses. Here she stressed the need to differentiate attritional losses and CAT losses. For CAT losses one must take a normalized long-term view for decision making. Basis the performance, reinsurer tweaks the commission scale to mimic the loss ratio in proportional treaty and attachment point/limits, rate on line (premium rate) for non-proportional treaties. Both cedant and reinsurer keep a close tab on accumulations/exposure control to protect respective balance sheet of any unplanned concentration.

Factors affecting treaty renewal

Presentation then moved to various considerations which come up on treaty renewal. Again, focus was on the objective of the cedant, whether more capacity or more protection is required. Past performance becomes a key anchor for cover, rate and terms and condition negotiations. Generally, insurer and reinsurer are on the opposite side of table and carving out a win-win situation can become tricky. However good balance must be strived for. Apart from cedant's own needs, external factors like hard/soft market also dictates terms of supply/demand of capacity in the market. Sometimes regulatory stringency like capital requirements and relief from reinsurance thereof also dictate the quantum and form of reinsurance. In India for example cedants mainly get capital relief from proportional reinsurance while in Solvency II regime in UK, cedants get capital relief from non-proportional reinsurance as well.

RI Pricing - Reinsurer's perspective

Madhulika covered the main levers of reinsurance pricing. In proportional reinsurance, designing commission scale to mirror the expected treaty profitability is the key lever as premium rate of cedant is followed. Sometimes loss caps/corridor is also applied to protect reinsurer's net. In non-proportional reinsurance fine-tuning the attachment point/limits, number of free/paid reinstatements is done to arrive at premium rate. Target return on capital also is a key input parameter for non-proportional reinsurance pricing. Stop loss treaties are priced by actuarial techniques and involve simulation techniques.

Key learnings and the way forward

Reinsurance plays an important catalyst for the insurers not only to survive but to thrive as well. Relationship between insurers and reinsurer is a symbiotic relationship and it is imperative that it becomes a win-win for both. Re-insurers can walk out if there are continuous losses in the treaty. If treaty runs into frequent losses, in long run treaty performance can start dictating the treaty terms like loss corridor, attachment, retention, sliding scale commission rather than cedant's need. Hence it is vital that insurers underwrite keeping in mind gross book profitability.

The Webinar was concluded with a questions and answers session by Ashwani Arora and Vote of Thanks from the Sourav Roy on behalf of the Advisory Group of Health Care Insurance, IAI. He thanked Madhulika for taking her time out and sharing her valuable knowledge, unique reinsurer perspective with all the participants.

Written by

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Webinar on Impact of IFRS 17 on Reinsurance Business and Accounting

Date: 26th August 2021; Thursday **Time:** 16:00 – 18:00 IST

Chair: Sourav Roy, Secretary, AGGI, IAI

Moderator: Ashwani Kumar Arora, Member, AGGI, IAI

Speakers: Amitabha Ray, Members, Head Client Markets P&C, Swiss Re, India

Prerana Sadarangani, Corporate Actuarial Analyst, Head of P&C Reserving, Swiss Re, India

Mahipal Choudhary, Manager, P&C Business Management, IFRS Actuarial Implementation, Swiss Re, India

Introduction

IFRS 17 is a transformational change which will impact all insurers. Actuaries are likely to have a monumental role in the implementation of the standard. The Institute conducted this webinar on "The impact of IFRS 17 on reinsurance business and accounting" to talk about the implementation of this standard for the reinsurance business. IFRS 17 may not directly change the economic protection provided by reinsurance but it is critical to understand the impact of IFRS 17 on accounting of inward Reinsurance business.

Ashwani Kumar Arora addressed the session by giving his thoughts on the webinar and introduced the speaker. This was followed by an address from Sourav Roy where he spoke about the wide-ranging impact of IFRS 17 standard and the need for actuaries to find answers to some critical questions before transiting to IFRS 17.

Prerana Sadarangani spoke about the Key elements of IFRS 17. Mahipal Choudhary spoke about the impact of IFRS 17 on financial accounting and the challenges of implementing IFRS 17. Amitabha Ray concluded the webinar by talking about the reinsurance impact of IFRS 17.

Importance of IFRS 17

The objective of IFRS 17 is to provide consistency, comparability, transparency and better information on profitability. IFRS 17 takes a future oriented view on profitability. It has 2 main concepts -

- **Separation** - insurance liabilities need to be calculated gross of reinsurance. Also, investment and non-insurance components need to be separated from the insurance contract.
- **Contractual obligation** - insurance companies need to look at the clauses of the (re)/insurance contracts to understand the value generated by the contract and the emergence of profit.

Key Elements of IFRS 17 for Insurers

The key components of insurance contract liability are Cash inflows, Cash outflows, Discounting, Risk adjustment for non-financial risk and contractual service margin.

Below are the key takeaways on comparing the financial statements on the basis of IFRS 17 and US GAAP:

- Overall, there would be lesser line items on the face of balance sheet, however much more details would be given on the notes to accounts.
- Income statement would look very different with items like Written/earned premium replaced with Insurance service results & insurance finance results.
- The key metric under IFRS 17 would be Insurance Service result. Also, insurance revenue which was just premium earlier would now be equal to the sum of expected claims and expected release in CSM and RA under liability for remaining coverage.
- Due to separation of Reinsurance held from assumed business, Insurers could ascertain about the efficiency of the reinsurance programs.
- Separate line items for Insurance business result and investment results would enable comparison between the effect of discounting and the actual financial results.
- Some of the disclosures are forward looking such as disclosure on the Emergence of CSM.

Overall IFRS 17 is an economic accounting model which provides more transparency thus enabling the readers to frame a better view on the company's current underwriting and new business experience, past reserves and its future sustainability.

Impact on Financial Accounting and KPI

Diving down in the standard, there are certain impacts on Financial accounting & KPIs which can be clearly seen. This includes:

- **Better transparency due to additional disclosures**
- **Volatility -** Which should increase due to inherent cash flow volatility and change in discount rates. Some of this volatility in P&L would be absorbed by CSM which acts as a buffer.
- **Equity -** Major change expected on transition from previous accounting standards to IFRS 17. However, the decision on the approach taken during transition can produce materially different CSM and equity balances.
- **Non-insurance topics -** Financial instruments classification and measurement under IFRS 9 is broadly like US GAAP.
- **KPIs -** Under IFRS 17, Some of the KPIs such as EPS, ROE would continue as defined. Some other KPIs such as combined ratio, net operating margin would need to be re-defined. New KPIs such as Insurance service result, CSM sustainability would need to be developed. While existing KPIs such as Gross written premium which do not exist under IFRS 17 may be continued to be used as additional performance measures.
- **Profit Emergence -** Profit runoff patterns will more closely resemble the run-off of the risk.

Policy Development & Challenges

Under IFRS 17, it would be important to have an internal committee to advise on Policies which should be linked to Actuarial Reserving and Pricing, Finance, Underwriters and Legal teams.

Also, committee would be responsible to explain the policy to regulators and auditors. As many as 15 areas have been identified where IFRS 17 would result in a material change. 3 of them being Level of aggregation, reinsurance held & Transition were discussed in further detail.

Availability and quality of Data, systems & skills would be a major challenge in implementing IFRS 17. A prerequisite for successful implementation of IFRS 17 would be better collaboration between different departments in the organization.

Reinsurance Impact under IFRS 17

Illustration were presented and key take-aways were as follows:

- There is not much change between IFRS 17 and IFRS 4 for a profit-making business.
- For a loss-making business the upfront recognition of losses largely shifts the earning pattern.
- For loss making or onerous contracts, RI benefits can be fully recognized upfront; Thus Quota Share reinsurance contracts could act to reduce the overall impact on profitability for an insurance company.
- The administrative hassle around purchase of reinsurance is likely to increase if companies want to reap maximum benefit from their reinsurance programs. For example, companies would have to ensure consistency between RI coverage and line of business considered for the purpose of IFRS 17.
- For proportional reinsurance Commission, fixed or Sliding scale is a critical element due to different treatment. Fixed commission is subtracted from premium paid whereas sliding scale gets added to amount recovered from reinsurers depending upon the portfolio's claims experience.
- A KPI like Combined ratio can be calculated by comparing Insurance service expense against insurance revenue. However, differences in recognition of contract elements such as Sliding scale commission & loss participation would mean that the KPI would not match with combined ratio under various scenarios.
- XOL treaties will need proper modelling of expected recoveries and associated variability to assess the RI cost appropriately with reasonable allowance for ceded IBNRs.
- Structured Reinsurance such as Multi-year may prevent automatic PAA eligibility and hence would be administratively more cumbersome.
- Structured treaties will be more difficult to book under IFRS-17, but the economic protection remains. The value brought by such treaties might still be worth the effort.
- The cost and return of Structured treaties would need to be re-assessed under IFRS 17 to produce optimum RI benefit.

Mr. Amitabh concluded the presentation with above mentioned summary points.

Summary of Q&A

1. How to deal with packaged products?
For 1 product having multiple lines of businesses, the product can be considered as a separate Line of Accounting group based on approved LOA policy of the business.

2. How to deal with Contract boundary in case payout happens after the policy period?
Contract boundary would not change due to delay in claims reporting and/or settlement being after the policy period.

3. Would there be change in accounting principles so that the finance team can understand the Cashflows calculated by actuaries?
IFRS 17 would result in more transparent disclosure of the working done by the actuarial team. Thus, the models of the actuarial team would no longer be a black box. CFO would need more understanding of the number and would need to sign them along with appointed actuaries.

4. Reinsurance programs or portfolios may be more granular than insurance portfolios, so more level of granularity and high number of aggregations may be required for reinsurance reserving purpose.

5. Would level of aggregations be impacted by the length of tail?
"Yes".

6. Which contracts under GI would come under GMM approach?
Long term contracts such as Engineering, Motor Third-Party would need GMM. For other contracts, need to demonstrate PAA approach produces similar results.

7. Expectation on IFRS 17 implementation date?
Asian countries adopting it from 2023. India may not be too far behind.

8. Non-Distinct investment Component measurement?
NDIC would not be part of insurance revenue and insurance service expenses.

9. Increase in transparency lead to change in business strategy. For e.g. Agriculture business 80% ceded to reinsurers.
Could change especially due to volatility of business but need to wait and see.

10. Will IFRS 17 be rolled out without change in solvency regulations? What would be the implication if this happens?
Current solvency regulations may not work if IFRS 17 comes in. Formulae for solvency can continue to exist but would not sync with IFRS 17.

11. How will consistency be achieved by IFRS 17 especially for group of "No significant probability of being onerous"?
Most profitable contracts would be under other category. Only some cases under this group. No difference between other and No significant probability of being onerous if practical point of view is considered.

In order to make the webinar more interactive, following Poll questions were included.

1. Will IFRS 17 change the way reinsurance works for cedants in terms of ultimate protection?
False, no change expected in the economic impact of reinsurance.

2. Both insurance contracts issued & reinsurance contracts held which have overall net losses must be recognized upfront?
False, Cost of reinsurance is amortized over time as service is delivered rather than being recognized upfront as a loss.

The Webinar was concluded with above questions & answers session and Vote of Thanks from the Mr. Sourav Roy on behalf of the Advisory Group of General Insurance, IAI. He thanked all the speakers for taking time out and sharing their valuable knowledge, unique reinsurer perspective with all the participants.

Thank You

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Impact of Covid-19 on Life Insurance Industry - The Good and Evil Part

There is a saying in Economics “The innovation mechanism by which new production units replace outdated ones”, become vital for long term growth.

The insurance industry in India (especially Life Insurance industry) is changing exponentially. Initially COVID-19 affected businesses of many insurance companies vastly. At the same time, COVID-19 also generated new growth opportunities. One of the positive impacts of covid 19 has been is growing interest in insurance among people. Until the outbreak of COVID-19, the insurance industry experienced double-digit growth, with the life insurance sector growing at 11-12% annually. Business premiums were higher than the previous year. Fast paced adoption of digitization with a huge push from the Government aided the growth. COVID has pushed digitization; it is right time for companies to embrace Artificial Intelligence fully. This will make space for customer - centric products, efficient policy pricing, and bridge the trust deficit between insurers and customers. In India the insurance market is slated to increase four folds in size over the next 7-8 years. Insurance regulator, the IRDAI has taken various initiates since the outbreak of covid 19. The initiatives such as allowing issuance through Digilocker of digital insurance policies, mandating firms to launch standard Life Insurance Products, will go long way in reaping benefits for the industry. The IRDAI also allowed insurers to invest debt securities of Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs), this is expected to provide more investment options for the country's emerging start up – ecosystem. IRDAI Sandbox Regulation 2019 too is playing its part in capitalising apparent growth opportunities.

The post-pandemic economy requires long-term policymaking and policy support such as increasing FDI limit to 74 % is expected to bring far reaching impact on sustainable growth for the industry. The share of life insurance in Indian Insurance market and GDP generated by Insurance is close to 75 %. It is expected to grow more in days to come.

Now the evil part of Covid 19 impact, the insurance companies are experiencing vast Covid-related claims that impacted their bottom lines in the first quarter of the fiscal. According to a report, at many places the life insurance claims increased 5-10 times post the 2nd wave.

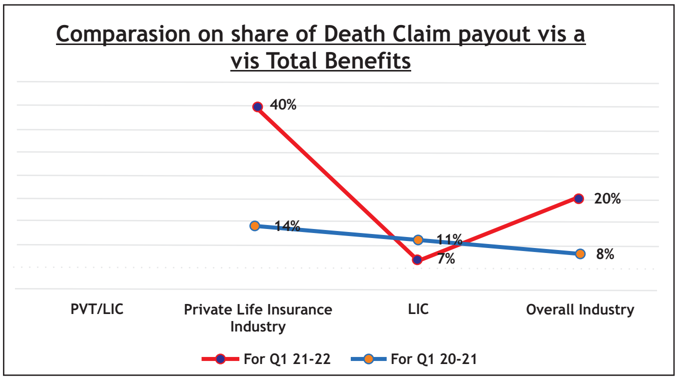
In insurance, claims remain the “moment of truth.” The pandemic has also changed the claims pattern Higher proportion of death claim in benefit paid by Insurer is disturbing A/E (actual versus expected ratio) which was originally assumed by actuaries. Further, rising number of death claims is forcing to go for revision in mortality assumption and thereby impacting several other linked critical processes such as business acquisition, underwriting, revival of policies etc. According to an estimate, 1.43 x growths in number of deaths in India from Q1 of FY20-21 to Q1-FY22 were reported. Mortality rates are around 5% to 8% due to Covid-19 across the globe. This clearly impacted claims outgo of insurers in highly adverse manner. While it is difficult to factor pandemic in the premium calculation, the Actuaries have already started working building models to assess the effect of similar pandemic on mortality tables and as a result on the premium.

These trends portray a challenging financial landscape and suggest that the corona virus has acted as a catalyst to add financial stress on Insurance Companies. An attempt has been made to do relative study of death claim paid in Q1 of FY21-22 vis a vis Q1 of FY 20-21:

Relative study of Death Claim paid in Q1 of FY21-22 vis a Vis FY 20-21:

Particulars	Private Total		Life Insurance Corporation		Grand Total	
	For Q1 21-22	For Q1 20-21	For Q1 21-22	For Q1 20-21	For Q1 21-22	For Q1 20-21
Insurance claims						
Claims by death	10,96,31,663	2,02,96,370	7,35,54,572	3,15,18,659	18,31,86,235	5,18,15,029
Total Benefits paid by LI (including maturity, SB and bonuses etc)	27,75,29,777	14,08,67,468	64,45,41,766	47,51,79,189	92,20,71,543	61,60,46,657
Data source - Public disclosure of Life Insurance Companies and National Insurance Academy Pune website (Fig in 000)						

*LI: Life Insurer



The Life Insurance companies are known to make pay out in form of following benefits such as Claims by death, claims by maturity, Annuities / Pension payment, Survival Benefits, Surrender, Discontinuance, Withdrawals, Rider, Health, Lump sum Benefit/Income Benefit (Instalment), Bonus to Policyholders, Waiver of Premium, Vesting of pension policy etc.

The players across the Industry reported a steep rise in death claims, with peak claims in the second wave at around three to four times the peak claim volumes during the first wave. From the above chart, we can comprehend the gigantic impact of Covid – 19 on balance sheet of Insurer. The proportion of death claim in total benefits paid by Life Insurance Companies constituted 20 % share in Q1 of 21-22 vis a vis 8 % of Q1 20-21 in the industry as whole. This portion is as high as 40 % in Q1 of 21-22 vis a vis 14 % of Q1 20-21 for private life insurance industry. There could be some more claims in the coming months from the first wave due to a lag in reporting.

"The gigantic impact of Covid-19 is obvious on insurance companies in the first quarter of current fiscal, but we will have to wait and see how the pandemic plays out in days to come. Most insurers, however, stress that they are well placed to deal with Covid-19 claims, but are also watchful of a possible third wave. In order to counterbalance financial stress resulted due to covid – 19, the Insurance Company is banking big time on high premium growth backed up by policy support and swift actions from regulator.

DISCLAIMER

I hereby certify that the content of the Article titled **Impact of Covid-19 on Life Insurance Industry -The Good and Evil Part**, which I have offered for publication in the Actuary India magazine is my own work and I agree to be responsible for anything adversarial that may arise from its publication.

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WE ARE HIRING!

Inviting Actuarial Applications For The Post Manager / Senior Manager – Product Pricing At Future Generali Life Insurance Company

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Roles & Responsibilities:

- Product Pricing - To develop / modify products based on new product ideas or request from the product team.
- Propose new products / riders / product modification.
- Competition benchmarking and analysis of products.
- Product filing with IRDAI and Regional office and handling queries received from IRDAI and Regional office.
- Product launch related activities.
- Co-ordination with other teams for Product Management.
- Measuring the success of the product by proper feedback mechanism.

Experience & Qualifications:

- Nearly Qualified / Qualified Actuary.
- Candidate should have prior experience in the field of Actuarial, preferably in a life insurance company.
- Product Management experience.
- Work Experience of minimum 4 years.

Other Skills:

- Good Understanding of Product Regulations.
- Good Communication and Interpersonal Skills.
- Excel Proficiency, Knowledge of VBA will be an advantage.

Job Location:
Mumbai

Interested candidates can please send their resume to Bharti.Kashyap@futuregenerali.in and MFL00855@futuregenerali.in

WE ARE HIRING!

Inviting Actuarial Applications For The Post Assistant Vice President / Associate Vice President – product pricing At Future Generali Life Insurance Company

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TOTAL INSURANCE SOLUTIONS

The purpose of the job is to lead the overall pricing function, reporting to a senior actuary in the Actuarial Department, which includes Pricing of Individual and Group Products, System Readiness, Liaisoning with Reinsurers, Group Quotation and Approval of Products from Regional office and IRDAI.

Roles & Responsibilities:

- Managing the right balance between all stakeholders while pricing the products.
- Tighter Underwriting versus Losing Competitive Edge.
- Negotiation with Reinsurer vis-à-vis containing own Risk Appetite.
- Group Business Profitability versus Business Acquisition and Relationships with Clients.
- IRDA query handling and Regional office query management.

Experience & Qualifications:

- Nearly Qualified / Qualified Actuary.
- Candidate having prior experience in Actuarial Pricing, preferably in a life insurance company.
- Work Experience of minimum 7 years.

Other Skills:

- Technical Competency for the role.
- Eye for details for Regulatory Filing.
- Team management.
- Relationship Management skills, as role requires managing various Stakeholders.
- Internal stakeholder management and liaisoning with sales, IT and operations teams
- Innovation and Solution Oriented.
- Excel Proficiency, Knowledge of VBA will be an advantage.

Job Location:
Mumbai

Interested candidates can please send their resume to Bharti.Kashyap@futuregenerali.in and MFL00855@futuregenerali.in

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We endeavour to partner in your growth and look forward to the best in the coming years!

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