

Report of Working Group

**Feedback on Exposure Draft on
Amendment to IRDAI (Appointed
Actuary) Regulations, 2017**

30th November 2018

The President

Institute of Actuaries of India

Navi Mumbai

Dear Sir,

Report of the Working Group to provide feedback on Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017

We have immense pleasure in submitting the Report of the Working Group constituted vide office order dated 17th November 2018 for providing feedback on exposure draft on amendment to IRDAI (Appointed Actuary) Regulations, 2017.

The Report and the Recommendations contained is an outcome of extensive review of various regulations related to Appointed Actuary, Actuaries Act and various meetings with members of the group with elaborate deliberations.

The report broadly covers the following terms of reference (ToR):

- a) To review Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017.
- b) To review various Appointed Actuary Regulations issued by IRDAI from time to time.
- c) To assess the impact of these Regulations and proposed Amendment on the Actuarial Profession, Insurance Industry and other relevant stakeholders in India.
- d) Any other matter not specifically stated above if that is thought to be relevant to the context of this ToR.

On behalf of the Members of the Working Group, and on my own behalf, I sincerely thank you for entrusting this responsibility on us.

Place: Bangalore


N Rangachary

Date: 30th November 2018

Chairman of the Working Group

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The report and the recommendations reflect the collective views and opinions of the members of the working group. These views are a result of the analysis, synthesis, face to face and telephonic deliberations among members of the working group at various points in time.

1. Executive Summary

In 2006, the Institute of Actuaries became a statutory body regulated by the Actuaries Act.

It is akin to the Chartered Accountant who is regulated by the Institute of Chartered Accountants and have to abide by their Accounting Standards and Regulations.

It is the responsibility of the Institute of Actuaries of India to ensure that Certificate of Practice (COP) is issued only to those who are professionally capable to take the responsibility of certifying policyholders' liabilities of insurance companies along with other actuarial responsibilities of insurer.

The Actuarial experience irrespective of pre and post qualification as a Fellow Member is the main requirement to perform the role of the Appointed Actuary.

Passing specialisation paper in a relevant field is desirable but should not be mandatory as the basic techniques are learnt by all Fellow Members.

The report in Paragraph 7 shows that Actuarial techniques are based on generalised Actuarial principles which apply to different areas of Insurance.

The Certificate of Practice issued by the Institute of Actuaries of India envisages compliance to Actuarial practice standards, Actuarial Guidelines, CPD requirements, Peer review system, mentoring by senior Actuaries.

All Actuaries and especially the Appointed Actuary has to work in Public Interest, assist the regulator with prudential reports on Valuation, Financial Condition to monitor progress and ensure solvency at all times and appraise the management so that they can develop sound profitable business.

It is submitted that the IRDAI recognizes the importance of the Institute of Actuaries of India to regulate the Actuarial profession through their various compliances, regulations and systems and allow them, with consultation with IRDAI, to prescribe qualifications and experience required by Appointed Actuaries through their Certificate of Practice.

Background

Before deep diving into studying various Regulations and making any recommendations, working group decided to understand the definition of 'Actuary' as per the Actuaries Act 2006.

While studying various Appointed Actuary Regulations and making subsequent recommendations, working group has kept the definition of 'Actuary' at the core key level.

So let us understand the definition of 'Actuary' as per the Actuaries Act 2006.

As per the Actuaries Act 2006 clause 2(1)(a): **Definitions**

"**Actuary**" means a person skilled in determining the present effects of future contingent events or in finance modelling and risk analysis in different areas of insurance, or calculating the value of life interests and insurance risks, or designing and pricing of policies, working out the benefits, recommending rates relating to insurance business, annuities, insurance and pension rates on the basis of empirically based tables and includes a statistician engaged in such technology, taxation, employees' benefits and such other

risk management and investments and who is a fellow member of the Institute; and the expression "actuarial science" shall be construed accordingly;

The interpretation of above definition is that the skills of an actuary are broad in nature and he/she is a person who should be skilled in different areas of actuarial such as financial modelling and risk analysis in different areas of insurance, valuing the insurance liabilities, pricing the product including recommending the premium /annuity rates, bonus rates, engagement in technology, taxation, investments and other relevant activities pertaining to insurance business.

Recommendations

The Working Group has carefully studied various Regulations, relevant practices of other jurisdictions and availability of skilled actuarial resources in India to perform the duties of the Appointed Actuary within the prescribed Regulatory framework.

The working group has considered all the above aspects while proposing the following recommendations.

1. It is recommended that all the subject related conditions of passing the respective area of specialisation subject (Specialised Application-SA) be taken out from the Regulations as pass criteria in relevant specialist subject should be desirable condition and not the mandatory condition.

It is the responsibility of the Institute of Actuaries of India to ensure that Certificate of Practice (CoP) is issued only to those who are professionally capable to take the responsibility of certifying policyholders' liabilities of insurance companies along with other actuarial responsibilities of an insurer.

Passing specialisation paper in a relevant field should not be the criteria as this position demands that a person should be capable of handling bigger role towards various stakeholders including company's Board, Regulator and the Policyholders without compromising the protection of policyholders' interest.

2. Committee believes that the actuarial experience is the main requirement to perform the role of the Appointed Actuary. Hence, we recommend that the Regulator considers the overall actuarial experience irrespective of pre or post qualification in any area of insurance for counting the minimum period of experience in the insurance industry.
3. Insurance companies must have Appointed Actuary at all the time. In case the Appointed Actuary is not able to satisfy the minimum experience requirement as per the provisions, insurance company should be required to use the service of the mentor till time the Appointed Actuary meets the experience criteria.

4. It is suggested that all the amendments in the Appointed Actuary Regulations be on prospective basis and not on retrospective basis without affecting the position of existing Appointed Actuaries of various insurance companies who have already been performing the role of Appointed Actuary by way of performing statutory valuation, submitting all actuarial reports and abstracts as per the extant Regulations and also ensuring the solvency of the insurance company to the satisfaction of all stakeholders like Regulator, Board of Directors and Policyholders.
5. It is recommended that the Institute of Actuaries of India should develop various Practice Modules pertaining to different areas in Risk, Insurance, Investments and Pension for members similar to Practice Modules introduced by Institute and Faculty of Actuaries, UK to their members and encourage members to undertake actuarial work in various areas rather than confining to only one area of actuarial practice. This will help the risk and insurance industry to utilize the actuarial services required for various types of insurance and risk business from its qualified actuarial members.
6. Institute of Actuaries of India to introduce additional CPD requirements in the relevant practice area for the Appointed Actuaries.
7. Peer review system for Appointed Actuaries in all areas of Insurance can be further strengthened by the Institute of Actuaries of India.
8. It is recommended that Regulator and the Institute of Actuaries of India may arrange induction training programs and various training workshops on regular basis exclusively to Appointed Actuaries. This may help Appointed Actuary to understand the expectations of the Regulator and also making them aware of any external, Regulatory or other changes affecting their statutory and other actuarial work.

2. Introduction and objective of Institute of Actuaries of India

Institute of Actuaries of India is a statutory body established under The Actuaries Act 2006 (35 of 2006) for Regulation of profession of Actuaries in India.

As per section 5 of the Actuaries Act 2006, the main objects of the Institute are:

- To promote, uphold and develop the standards of professional education, training, knowledge, practice and conduct amongst Actuaries;
- To promote the status of the Actuarial profession;
- To regulate the practice by the Members of the profession of Actuary;
- To promote, in the public interest, knowledge and research in all the matters relevant to Actuarial Science and its application; and
- To do all such things as may be incidental or conducive to the above objects or any of them.

To meet the above objectives, Institute of Actuaries of India (IAI) is playing a significant role to strengthen the actuarial techniques through education, issuance of Actuarial Practice Standards and Guidance Notes, organising various actuarial seminars and supplying proper actuarial skills to the industries in the field of insurance, pension and other risks areas.

3. Statistics -Qualified Actuaries with Institute of Actuaries of India

Institute of Actuaries of India has 411 (Four Hundred & Eleven) qualified actuaries as at November 2018,. It is observed that every year, many members are getting qualified thereby increasing the supply of number of qualified actuaries in the industry.

There are 98 members who are one paper short for getting fellowship qualification and hopefully those will soon be qualified actuaries in coming years.

The age wise distribution of Fellow members is furnished below:

Age wise distribution of Fellow members:

Age	Upto 30	31-35	36-40	41-45	46-50	51-55	56-60	61-65	66+	Total
No. of Fellow members	38	97	70	43	55	33	14	2	59	411

If we only apply subject specific filter, as per the Appointed Actuary Regulation 2017, the proportion of actuaries available reduces to around 20% in case of life insurance and around 5% in case of general insurance.

Further, there are 171 qualified actuaries who do not have specialist subject pass as they qualified before the requirement of one out of six specialist subjects pass came into the profession.

Based on above statistics, it is observed that there are many qualified actuaries available who are eligible to work as 'Appointed Actuaries' in insurance industry including general insurance and health insurance companies, if the subject specific pass criteria is not imposed.

4. Key Differences between Appointed Actuary Regulations 2000 & 2017

Over the period of time, Regulator has published various Regulations related to Appointed Actuary from time to time. So, first let us understand the differences between the oldest and the latest Regulations of Appointed Actuary (AA).

Dimension	AA Regulations 2000	AA Regulations 2017
Qualification for being an AA (Regulation 3)	<ul style="list-style-type: none"> Fellow Member of the Actuarial Society of India 	<ul style="list-style-type: none"> Fellow Member of the Institute of Actuaries of India with the following additional requirements <ul style="list-style-type: none"> AA of a Life Insurer: must have passed specialization subject in Life Insurance

		<ul style="list-style-type: none"> — AA of a General Insurer or Reinsurer: Must have passed specialization subject in General Insurance — AA of a Health Insurer: Must have passed specialization subject in General Insurance or Health Insurance
Experience Requirement (Regulation 3)	<ul style="list-style-type: none"> • No explicit experience requirement 	<ul style="list-style-type: none"> • AA of a Life Insurer: <ul style="list-style-type: none"> — at least 10 years in life insurance industry with at least 5 years of PQE (Post Qualification Experience) — at least 3 years of PQE in annual statutory valuations of a life insurer • AA of a General Insurer/Reinsurer <ul style="list-style-type: none"> — at least 7 years in General Insurance with at least 2 years of PQE — at least one year PQE in the annual statutory valuation of a General Insurer • AA of a Health Insurer <ul style="list-style-type: none"> — at least 7 years in Health or General Insurance with at least 2 years of PQE — at least one year PQE in the annual statutory valuations of a General or Health Insurer
Exemptions for Existing Appointed Actuaries (Regulation 3)	Not Applicable	<ul style="list-style-type: none"> • The existing AA of a life insurer will be exempted from the requirement to pass the specification subject is he/she has worked for at least 5 years as AA during the 7

		<p>years period preceding the date of notification</p> <ul style="list-style-type: none"> • for existing AAs of other insurers, the minimum experience requirement as AA is 3 years during the five years period preceding the date of notification • An existing AA of an insurer who does not meet the minimum experience requirement as stipulated above must pass the relevant specialisation subject within 2 years from the date of notification.
Nature of Employment (Regulation 3)	An employee of the insurer or a consulting actuary in case of general insurance business	An employee of the insurer (regardless of the line of business - life, general or health)
Age limit for AA (Regulation 3)	not over the age of 70 years	not over the age of 65 years
Relaxation of Eligibility Criteria (Regulation 3)	An insurer who is unable to appoint an AA in accordance with the specified eligibility criteria can apply to the Authority for relaxation of one or more conditions	<p>Same as AA Regulations 2000 except that the following criteria will not be relaxed</p> <ul style="list-style-type: none"> — A Fellow Member in accordance with Actuaries Act, 2006 — A person who has not committed any breach of professional or other <u>misconduct</u> (should read as conduct) — A person who possesses a COP issued by the IAI
Business Continuance (Regulation 5)	A <u>life insurer</u> shall not carry on business of insurance without an appointed actuary	No Insurer/reinsurer shall carry on the business of insurance/reinsurance without an Appointed Actuary for a period

		exceeding one year. Any non-compliance in this regard shall attract appropriate actions under the relevant provisions of the Insurance Act, 1938.
Business Continuance – Transitory Provisions (Regulation 6)	Not Applicable	The Chairperson of the Authority may issue guidelines from time to time regarding the transitory provisions available for the insurers to take care of the situations where: <ul style="list-style-type: none"> a. Insurers are not able to appoint Appointed Actuaries b. The young Actuaries need mentoring so that the statutory works are not hampered.

5. Proposed Amendments to AA Regulations 2017:

The IRDAI has received representations from insurers regarding exemptions from a period of 1 year as stipulated in the Regulation 5 of the aforementioned Regulations.

As a response to the representations from insurers, IRDAI has proposed the following amendment to Regulation 6

Regulation No	Existing Provision	Proposed Amendment
6	<p>Transitory Provisions: The Chairperson of the Authority may issue guidelines from time to time regarding the transitory provisions available for the insurers to care of the situations where:</p> <ul style="list-style-type: none"> a. Insurers are not able to appoint Appointed Actuaries 	<p>Transitory Provisions: The Chairperson of the Authority may issue guidelines from time to time regarding the transitory provisions available for the insurers to take care of the situations where:</p> <ul style="list-style-type: none"> a. Insurers are not able to appoint Appointed Actuaries.

	b. The young Actuaries need mentoring so that the statutory works are not hampered.	b. The young Actuaries need mentoring. c. For business continuance, the insurer may need exemption from regulation 5 for a further period beyond one year so the statutory works are not hampered
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6. Relevant Practices in Other Jurisdictions

This section covers the practices related to

- Eligibility Criteria for Appointed Actuaries / Equivalent Actuarial Roles
- Business Continuance and Appointed Actuary

In the following jurisdictions

- Australia
- Canada
- United Kingdom
- Singapore

The following table displays the relevant practices in the above jurisdictions

Country	Regulatory Framework	Eligibility Criteria for AA	Business Continuance & Appointed Actuary
Australia	Australian Prudential Regulatory Authority (APRA) - Prudential Standard CPS 520: This prudential standard sets out the minimum requirements for APRA-regulated institutions in determining the fitness & propriety of individuals to hold positions of responsibility -Prudential Standard CPS 320 : This prudential standard	- Fellow or Accredited Member of the Institute of Actuaries of Australia -Ordinarily resident in Australia - Has a minimum of <u>five years</u> ' relevant experience in the provision of actuarial services to entities carrying on insurance business	- An insurer must appoint an Appointed Actuary - An insurer must establish an Actuarial Advice Framework -An insurer must provide the Appointed Actuary with sufficient information and access to the Board & senior management to allow the Appointed Actuary to fulfil

	aims to ensure that a general insurer , life insurer or private health insurer has access to appropriate actuarial advice to assist in the sound and prudent operation of its business		specified roles & functions.
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Country	Regulatory Framework	Eligibility Criteria for AA	Business Continuance & Appointed Actuary
Canada	Office of the Superintendent of Financial Institutions Canada Guideline : Appointed Actuary : Legal Requirements, Qualifications and Peer Review	In assessing the suitability of an AA, the Superintendent expects that the AA has each of the following qualifications: <ol style="list-style-type: none"> 1. The AA is required to be an FCIA 2. Must have appropriate Canadian practical experience, which is defined as Work in Canada for at least three of the last six years, of which at least one year was performing valuation of Canadian actuarial liabilities of an insurance company; 3. has experience with the CIA's Standard of Practice and relevant insurance legislation and regulation; 4. is up to date with respect to the CIA's Continuing Professional Development requirement; 5. Has not been the subject of an adverse finding by a CIA Disciplinary Tribunal. Where there has been such a finding, the Superintendent may nevertheless conclude that the AA is a suitable person if the circumstances of the case and other information 	<p>Each company must appoint an actuary (Appointed Actuary) of the company. The term 'Company' in this context refers to Canadian Insurance Companies, provincial insurance companies, fraternal benefit societies Canadian branches of foreign insurance companies and foreign fraternal benefit societies</p> <p>6. Has not been the subject of an adverse finding by a CIA Disciplinary Tribunal. Where there has been such a finding, the Superintendent may nevertheless conclude that the AA is a suitable person if the circumstances of the case and other information support such a conclusion.</p>

		support such a conclusion.	
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Country	Regulatory Framework	Eligibility Criteria for AA	Business Continuance & Appointed Actuary
United Kingdom	<p>Prudential Regulatory Authority (PRA)</p> <p>Financial Conduct Authority (FCA)</p>	<ul style="list-style-type: none"> • Must be a Fellow Member of the Institute & Faculty of Actuaries (IFoA) • Must have the required skill and experience to perform his functions under the regulatory system. <p>The IFoA has a more demanding CPD requirement for actuaries in reserved roles; and such actuaries must have passed the appropriate UK practice modules</p>	<ul style="list-style-type: none"> • In UK, there is no Appointed Actuary requirement However there are statutory reserved roles such as Actuarial Function Holder, With-Profits Actuary, Reviewing Actuary, Peer Reviewer, Scheme Actuary & Lloyd's Syndicate Actuary

Country	Regulatory Framework	Eligibility Criteria for AA	Business Continuance & Appointed Actuary
Singapore	<p>Insurance Act (CHAPTER 142)</p> <p>Insurance (Actuaries) Regulations 2013</p>	<p>Persons who may be actuaries 4.—</p> <p>(1) For the purposes of the Act other than sections 49FC(2) and 49FO(9) of the Act, and these Regulations —</p> <p>(a) an appointed actuary shall be a Fellow of the Singapore Actuarial Society;</p> <p>(b) a certifying actuary shall be a Fellow of any association recognised by the International Actuarial Association; and</p> <p>(c) an actuary shall be an appointed actuary or a certifying actuary, whichever is applicable.</p> <p>(2) For the purposes of sections 49FC(2) and 49FO(9)</p>	<p>Appointment of actuaries 5.—</p> <p>(1) For the purposes of obtaining the approval of the Authority for the appointment of an appointed actuary or a certifying actuary under section 31(4)(b) of the Act, a licensed insurer shall —</p> <p>(a) submit to the Authority the particulars of the person proposed to be appointed in such form as the Authority may specify in a direction to the insurer; and</p> <p>(b) satisfy the Authority that the person is a fit</p>

		<p>of the Act, an actuary shall be a Fellow of the Singapore Actuarial Society.</p>	<p>and proper person to be so appointed and has the actuarial qualifications and experience to perform the duties and functions of an appointed actuary or a certifying actuary, as the case may be, under the Act and these Regulations.</p> <p>(2) Where a person holds the office of appointed actuary or certifying actuary, as the case may be, of a licensed insurer at the time it appointed another person as its appointed actuary or certifying actuary, the appointment of the other person shall not take effect until the appointment of the first-mentioned person is terminated by the insurer.</p> <p>(3) For the purposes of section 31(11) of the Act, when determining whether to approve the appointment of a certifying actuary, the Authority shall consider whether he is a member of the Singapore Actuarial Society.</p>
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7. Actuarial talent-Regulatory Apprehensions

There has been apprehension by the Regulatory Authority regarding shortage of qualified and experienced actuaries in India to occupy the position of Appointed Actuary with insurance companies. This challenge looks more austere with the general insurance and health insurance companies.

The position of Appointed Actuary is a responsible position and it requires sound technical actuarial knowledge along with relevant experience.

It is pertinent that during the deliberations of the working group the Chairperson Sri N Rangachary (former First Chairman of IRDA) expressed his views (which all other Members of the Working Group felt should be included as part of the report) as under:

"I have some views in the matter. I feel that the regulator should not have any role to decide the nitty gritty of the profession, its members, their training etc. All these should be left to the institute. The 2000 and 2004 regulations were made in a situation where we did not have a statutory professional body. To my mind the definition of actuary should be, An Actuary is a person who is a Fellow Member of the institute of actuaries of India. Prescriptions of qualifications for an Appointed Actuary must be made by the Institute of Actuaries of India."

I. Relevant subject passing criteria:

As per the Appointed Actuary 2017 Regulations 3 (B) ((iii)(a),(iv)(a) & (v)(a)) , candidate must pass relevant (Life insurance/General insurance/Health insurance) specialization subject (Specialised Application).

Working group believes that even though the fellow member has cleared any one of the specialisation papers, he/she applies actuarial techniques covered in this paper to other areas as well. Actuarial techniques are based on generalised actuarial principles which apply to different areas of insurance.

For example, a fellow member who is working as an Appointed Actuary in Life Insurance irrespective of the subject specialisation is required to have knowledge of all other subjects.

As he/she involves in pricing annuity and pension products or managing group superannuation funds, he/she is applying knowledge of Pension & other employee benefits.

Similarly, pricing or valuing one year group term insurance plan is required the techniques used in general insurance.

The pricing of health insurance product in the life insurance company requires the knowledge and applicability of health insurance techniques.

Also, for Asset Liability Management and Investment Management of the funds/premiums, he/she is applying techniques & concepts of Finance and Investments.

Similar argument can be put forward for Appointed Actuary working in the General Insurance and Health Insurance companies.

Hence, working group believes that fellow member of the Institute of Actuaries of India is capable of doing pricing, valuation, experience analysis etc of any business wherever risk is involved irrespective of any particular specialist area.

Also, before issuing the Certificate of Practice (CoP), Institute of Actuaries of India carefully ensures that CoP in respective practice area is issued only to fellow members who are capable of performing his/her duties diligently as per the relevant Acts and Regulations.

Moreover, in other jurisdictions the criteria for passing specialisation papers for Appointed Actuary is not observed.

Recommendation:

It is recommended that all the subject related conditions of passing the respective area of specialisation subject be removed from the Regulations. This criterion may be a desirable requirement and not be a mandatory condition for the position of Appointed Actuary.

II. Post qualification experience

As per the Appointed Actuary 2017 Regulations 3 (B) ((iii)(b),(iv)(b) & (v)(b)), candidate must have relevant years of experience with post fellowship experience.

Working group believes that work profile of the employee generally does not change immediately after getting Fellowship qualification. Hence, Regulator can keep the overall number of years of experience as criteria and removing the condition of post qualification experience.

Recommendation:

We recommend that the minimum number of years of actuarial experience as required by the Regulator be total experience rather than split by pre or post qualification in any area of insurance such as life / general/ health.

We further recommend that as and when Regulator makes any modification to the actuarial experience required, it is notified in such a way, that the change is applicable only to appointment of new first time Appointed Actuaries without affecting existing Appointed Actuaries.

III. Post fellowship experience in statutory valuation

As per the Appointed Actuary 2017 Regulations 3 (B) ((iii)(c),(iv)(c) & (v)(c)), candidate must have relevant years of post-fellowship experience in statutory valuation out of overall years of post-fellowship experience.

Experience in the statutory valuation is desirable for the candidate. However, it is recommended that it should not be directly linked with post fellowship experience only.

For example, if one candidate has say 15 years of valuation experience pre fellowship qualification and say 1 year valuation experience post fellowship; another candidate has say seven years pre-qualification

valuation experience and four years post qualification experience then the later candidate is eligible for the Appointed Actuary but the former is not eligible.

Moreover, Appointed Actuary is also responsible for pricing, product filing, investment & Asset Liability management, risk management, experience analysis, embedded value calculations, calculation of annuity rates, bonus declaration etc. Hence, all such experience including statutory valuation is required for an Appointed Actuary in total irrespective of whether it is pre or post qualification.

Recommendation:

We recommend that total actuarial work experience in all areas is required to be considered for the position of Appointed Actuary irrespective of pre or post qualification experience.

IV. Existing Appointed Actuaries

Existing Appointed Actuaries have been following all relevant Regulations diligently in their actuarial work and submitting all statutory reports and abstracts to the Regulator and performing their role to the satisfaction of the all stakeholders , they should be allowed to continue as Appointed Actuaries irrespective of whether relevant specialist paper is passed by them or not.

Recommendation:

We strongly recommend that the Regulations be made applicable prospectively and the existing Appointed Actuaries who are already in the system and whose reports have been accepted by the Regulator and playing their roles to meet the needs of all stakeholders, continue to act as Appointed Actuary in the Indian insurance industry.

V. Age Limit for Appointed Actuary

Current age limit for Appointed Actuary is 65 years. Insurance industry and Regulator have always wished to get actuarial services from experience actuaries.

Recommendation:

It is recommended that the age limit for Appointed Actuary may be enhanced to age 70 years.

VI. Age limit criteria for Mentors

The guidelines was issued by the Regulator Ref: IRDA/ACT/GDL/MISC/194/08/2017 vide dated 17th August, 2017 regarding Transitory Provisions under IRDAI (Appointed Actuary) Regulations, 2017.

In this guidelines, under Annexure I: Conditions for Appointment of Mentors to Appointed Actuaries, Section 3.3 "Age and tenure", the maximum age limit for the mentor is defined as 75 years.

Recommendation

After deliberations with the members of the group, it is recommended that a senior actuary can become the mentor to the Appointed Actuary who is currently short of the actuarial experience criteria and there should not be any age limit for the mentor.

VII. Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017

In the exposure draft, Regulator has proposed under transitory provisions to extend the business continuance without Appointed Actuary beyond one year so that the statutory works are not hampered. If there is no Appointed Actuary then the statutory works will be hampered as these are the duties and responsibilities of the Appointed Actuary.

Since there is sufficient pool of actuarial talent available to serve the insurance industry, therefore, rather than extending exemption beyond 1 year, the Regulator modifies the Appointed Actuary Regulations to utilize the available experienced and skilled qualified actuaries in the industry.

Recommendation

Insurance companies must remain solvent at all time and hence we recommend the Appointed Actuary must always be there in the insurance company in the best interest of policyholders and industry.

We further recommend that in case any company is not able to get a qualified actuary with required actuarial work experience, then the Regulator can relax experience criteria and allows such Appointed Actuary under mentor till such time he/she satisfies the experience criteria. This will help insurance companies to continue the business with Appointed Actuary and Mentor thereby the statutory and other actuarial functions will not be hampered.

8. Conclusion

In 2006, the Institute of Actuaries of India became a statutory body regulated by the Actuaries Act.

It is akin to the Chartered Accountant who is regulated by the Institute of Chartered Accountants and have to abide by their Accounting standards and regulations.

It is the responsibility of the Institute of Actuaries of India to ensure that Certificate of Practice (COP) is issued only to those who are professionally capable to take the responsibility of certifying policyholders' liabilities of insurance companies along with other actuarial responsibilities of insurer.

The Actuarial experience irrespective of pre and post qualification as a Fellow Member is the main requirement to perform the role of the Appointed Actuary.

Passing specialisation paper in a relevant field is desirable but should not be mandatory as the basic techniques are learnt by all Fellow Members.

The report in Paragraph 7 shows that Actuarial techniques are based on generalised Actuarial principles which apply to different areas of Insurance.

The Certificate of Practice issued by the Institute of Actuaries of India envisages compliance to Actuarial Practice Standards (APS), Actuarial Guidelines, CPD requirements, Peer review system, mentoring by senior Actuaries.

All Actuaries and especially the Appointed Actuary has to work in Public Interest, assist the regulator with prudential reports on Valuation, Financial Condition to monitor progress and ensure solvency at all times and appraise the management so that they can develop sound profitable business.

It is submitted that the IRDAI recognizes the importance of the Institute of Actuaries of India to regulate the Actuarial profession through their various compliances, regulations and systems and allow them, with consultation with IRDAI, to prescribe qualifications and experience required by Appointed Actuaries through their Certificate of Practice.

Working group recommends that Insurance Regulatory and Development Authority of India (Appointed Actuary) Regulations, 2017 be amended detaching relevant specialist subject pass criteria, keeping overall actuarial experience and without affecting the status of the existing Appointed Actuaries. These can be achieved by modifying the Regulations in line with Insurance Regulatory and Development Authority (Appointed Actuary) Regulations, 2000. This will ensure alignment of Indian Appointed Actuary Regulations with the Regulations of other jurisdictions.

All insurance companies in India must have an Appointed Actuary at all the time and should not function without the Appointed Actuary.

It is recommended that Institute of Actuaries of India introduce Practice Modules at the earliest to encourage members to transition to other areas.

Peer Review system in the General Insurance and Health Insurance companies be further strengthen and made mandatory to Appointed Actuaries working in all areas of insurance.

9. Acknowledgements

The Working Group places on record it's thanks to President, Institute of Actuaries of India for providing an opportunity to work on review of the Appointed Actuary Regulations and suggest recommendations which will be helpful to the Indian Insurance industry at large.

The Working Group would like to copiously thank various stakeholders for sharing their valuable inputs and suggestions.

The Working Group acknowledges the contributions of Mr. Dinesh Chandra Khansili, Executive Director, IAI for his active participation in co-ordinating with all working group members including arranging various meetings and provide various information to the members of the working group.

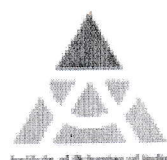
10. References

1. Actuaries Act 2006
2. Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017
3. Appointed Actuary Regulation 2017
4. Qualification of Actuary Repeal Regulation 2016
5. Appointed Actuary Regulation-First Amendment 2013
6. Qualification of an Actuary Regulation 2004
7. Appointed Actuary Regulation 2000
8. Fellow member statistics as provided by Institute of Actuaries of India
9. Relevant Regulations for Actuaries from Australia, Canada, United Kingdom and Singapore

11. Annexures

Annexure-I

Office order



Institute of Actuaries of India

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17 November 2018

Office Order

Constitution of Working Group to provide feedback on Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017

The working group has been constituted with following members;

Sr. No	Name	Designation	Email ID
1.	Mr. N Rangachary	Chairperson	rangacharyn@hotmail.com
2.	Mr. Suresh Sindhi	Secretary	sindhin@rediffmail.com
3.	Mr. N M Govardhan	Member	nm.govardhan@gmail.com
4.	Mr. P A Balasubramanian	Member	pabalas43@yahoo.co.in
5.	Dr. K Sriram	Member	ksriram1960@gmail.com

Mr. Dinesh Chandra Khansili (ed@actuariesindia.org) from IAI will act as an Executive Assistant to the Group.

2. The Terms of Reference (TOR):

Following are the terms of reference for the working group;

- To review Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017.
 - To review various Appointed Actuary Regulations issued by IRDAI from time to time.
 - To assess the impact of these Regulations and proposed Amendment on the Actuarial Profession, Insurance Industry and other relevant stakeholders in India.
 - Any other matter not specifically stated above if that is thought to be relevant to the context of this TOR.
3. The Working Group will submit its report along with recommendation to the President latest by 28 November 2018.

Sunil Sharma
President

Annexure-II

Various Actuarial Regulations issued by IRDAI from time to time

Insurance Regulatory and Development Authority of India has issued various Appointed Actuary Regulations from time to time.

Relevant sections of Appointed Actuary Regulations pertaining to professional qualifications and experience requirements are highlighted below:


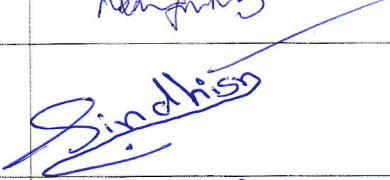
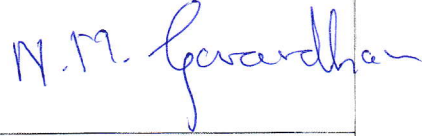
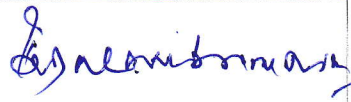

Sr No	Year	Regulation	Professional Qualification and Experience requirement
1	2000	Insurance Regulatory and Development Authority (Appointed Actuary) Regulations, 2000 F.No.IRDA/Reg./7/2000 Dated 14 th July 2000	3. Procedure for Appointment of an Appointed Actuary (2) A person shall be eligible to be appointed as an appointed actuary for an insurer, if he or she shall be----- ... (ii) a Fellow Member of the Actuarial Society of India; ... (iv) a person who has not committed any breach of professional conduct; (v) a person against whom no disciplinary action by the Actuarial Society of India or any other actuarial professional body is pending; (vi) not an appointed actuary of another insurer; (vii) a person who possesses a Certificate of Practice issued by the Actuarial Society of India; and
2	2004	Insurance Regulatory and Development Authority (Qualification of Actuary) Regulations, 2004 F.No.IRDA/Reg./2/2004 Dated 1 st January 2004	3. Qualification of an Actuary -An actuary shall be a Fellow of the Actuarial Society of India: Provided that where an application is made by any individual to the Authority and it is shown to the satisfaction of the Authority that the employment of such individual having actuarial knowledge for any specified purpose sufficient in order to enable an Indian Insurance Company or a person to carry out any of its or his obligations, under the Act, the authority may grant the application and permit such individual to sign as actuary for the specified purpose, subject to such conditions and restrictions as the Authority thinks fit to impose.
3	2013	Insurance Regulatory and Development Authority (Appointed Actuary) (First Amendment) Regulations, 2013	2. Procedure for Appointment of An Appointed Actuary a. Regulation 3(2)(ii) is substituted by the following: “ A fellow member or an Affiliate Member in accordance with the Actuaries Act 2006 with

		<p>F.No.IRDA/Reg./4/62/20 13 Dated 7th February 2013</p>	<p>specialisation (as evidence by qualification and/or working experience) in:</p> <ul style="list-style-type: none"> i Life insurance for life insurance company /Life reinsurance company; ii General insurance for general insurance company /General reinsurance company; iii Health insurance for stand-alone health insurance company /Health reinsurance company; <p>Provided however the syllabus and reading material constituting element of study for such specialization and requirements for issuing the certificate of actuaries for Appointed Actuaries shall be to the satisfaction of the Authority.</p> <p>Provided further that existing Appointed Actuaries who does not satisfy the conditions in Regulation 2(a)(i) or 2(a)(ii) or 2(a)(iii), as applicable, shall have to qualify the respective specialization subject (s) within a period of five years to continue to hold the position of Appointed Actuary”</p> <p>b. Regulation 3(2)(iv) is substituted by the following: “a person shall be full time employee of the General insurer in case of General Insurance business/Health Insurance business.</p> <p>Provided further that the existing Appointed Actuaries who does not satisfy the conditions in Regulation 2 (b) shall have to be appointed as employee within a period of two years to continue to hold the position of Appointed Actuary”.</p> <p>c.</p> <p>d. The following Regulations are inserted after regulation 3(2)(ix) as under:</p> <p>3(2)(ix) A person shall have:</p> <ul style="list-style-type: none"> i. A minimum of 10 years of relevant experience and ii. At least 2 years of post qualified (Fellowship in the specialist subject) experience out of those 10 years of experience stated in (i) above and iii. Should have handled suitably responsible positions immediately prior to the application for the Appointed Actuary and iv. At least 2 years of recent relevant experience out of those 10 years of experience stated in (i) above, in the respective field for which the Appointed Actuary position is sought for.
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4	2016	Insurance Regulatory and Development Authority of India (Qualification of Actuary) (REPEAL) REGULATIONS, 2016 F.No.IRDAI/Reg/8/120/2016 Dated 7 th April 2016	In exercise of the powers conferred by clause (zd) of subsection (2) of Section 114A read with sub-section (1) of section 2 of Insurance Act, 1938 (4 of 1938) and sections 14 and 26 of the Insurance Regulatory and Development Authority Act, 1999, the Authority, in consultation with the Insurance Advisory Committee, hereby repeals the Insurance Regulatory and Development Authority Qualification of Actuary) Regulations, 2004 with effect from the date of publication in the Official Gazette.
5	2017	Insurance Regulatory and Development Authority of India (Appointed Actuary) Regulations, 2017 F. No. IRDAI/Reg/6/143/2017 Dated 27 th April 2017	<p>3. Procedure for Appointment of an Appointed Actuary. ---</p> <p>B. A person shall be eligible to be appointed as an Appointed Actuary for an insurer, if he or she is:</p> <p>i. Ordinarily resident in India;</p> <p>ii. A Fellow member in accordance with the Actuaries Act, 2006;</p> <p>iii. A Fellow member satisfying the following requirements in case of a Life insurer:</p> <p>a. Passed specialization subject in life insurance. Currently, the specialization shall mean Specialist Application level subject as prescribed by the Institute of Actuaries of India.</p> <p>b. Relevant experience of at least 10 years in life insurance industry out of which at least 5 years shall be post fellowship experience.</p> <p>c. The applicant shall have at least 3 years post fellowship experience in annual statutory valuation of a life insurer.</p> <p>iv. A Fellow member satisfying the following requirements in case of a General insurer or reinsurer:</p> <p>a. Passed specialization subject in general insurance. Currently, the specialization shall mean Specialist Application level subject as prescribed by the Institute of Actuaries of India.</p> <p>b. Relevant experience of at least 7 years in general insurance industry out of which at least 2 years shall be post fellowship experience.</p> <p>c. The applicant shall have at least 1 year post fellowship experience in annual statutory valuation of a general insurer.</p> <p>v. A Fellow member satisfying the following requirements in case of a health insurer:</p> <p>a. Passed specialization subject in health or general insurance. Currently, the specialization shall mean Specialist Application level subject as prescribed by the Institute of Actuaries of India.</p>

			<p>b. Relevant experience of at least 7 years in health or general insurance industry out of which at least 2 years shall be post fellowship experience.</p> <p>c. At least 1-year post fellowship experience shall be in respect of annual statutory valuation of a health insurer or a general insurer.</p> <p>vi. An employee of the insurer;</p> <p>vii. A person who has not committed any breach of professional or other misconduct;</p> <p>viii. Not an appointed actuary of another insurer in India;</p> <p>ix. A person who possesses a Certificate of Practice issued by the Institute of Actuaries of India;</p> <p>x. Not over the age of 65 years.</p> <p>C. Provisions for existing Appointed Actuaries as on date of notification of these regulations:</p> <p>(i) The existing Appointed Actuaries as on date of notification of this Regulation shall stand exempted from the requirement of passing the subject specialization as per regulation 3(B)(iii), 3(B)(iv) or 3(B)(v) provided he/she satisfies the following conditions as on the date of notification of these Regulations:</p> <p>a. In case of a life insurer, he/she has worked for at least 5 years as Appointed Actuary of a life insurer in India during 7 years period preceding the date of notification.</p> <p>b. In case of a general insurer, he/she has worked for at least 3 years as Appointed Actuary of a general insurer in India during 5 years period preceding the date of notification.</p> <p>c. In case of a health insurer, he/she has worked for at least 3 years as Appointed Actuary of a health insurer or general insurer in India during 5 years period preceding the date of notification.</p> <p>d. In case of a re-insurer, he/she has worked for at least 3 years as Appointed Actuary of a general insurer in India during 5 years period preceding the date of notification.</p> <p>(ii) The Appointed Actuaries existing on the date of notification of these Regulations who have not passed the specialization subject as per regulation 3(B)(iii), 3(B)(iv) or 3(B)(v) above and do not comply with the conditions prescribed under sub-regulation (C)(i) above, shall pass the relevant specialization subjects within two years from the date of notification of these regulations.</p> <p>(iii) The existing Appointed Actuaries who have already passed the specialization subject as required above under regulation 3(B)(iii), 3(B)(iv) or 3(B)(v) above as on date of notification of</p>
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			these regulations, shall be eligible to continue as Appointed Actuary on the same terms and conditions of such approvals.
6	2018	Exposure Draft on Amendment to IRDAI (Appointed Actuary) Regulations, 2017	<p>Proposed Regulation 6</p> <p>Transitory Provisions:</p> <p>The Chairperson of the Authority may issue guidelines from time to time regarding the transitory provisions available for the insurers to take care of the situations where:</p> <ul style="list-style-type: none"> a. Insurers are not able to appoint Appointed Actuaries. b. The young Actuaries need mentoring. c. For business continuance, the insurer may need exemption from regulation 5 for a further period beyond one year. so that the statutory works are not hampered.

Sr. No	Name	Designation	Signature with date
1.	Mr. N. Rangachary	Chairperson	
2.	Mr. Suresh Sindi	Secretary	
3.	Mr. N M Govardhan	Member	
4.	Mr. P A Balasubramanian	Member	
5.	Dr. K Sriram	Member	 28/11/2018