

Current Issues in General Insurance

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APS33 – Peer Review – Learnings from last two years

Khushwant Pahwa

Consulting Actuary, KPAC



Institute of Actuaries of India

Agenda



- Setting the Context
- Building on the previous peer review
- Practical timelines of the peer review
- Scope / areas of review
- Types of opinions – Audit vs Peer Review
- Responsibilities (and liabilities) of the Peer Reviewer
- Role of disclaimers and limitations
- Peculiar situations

APS 33: An Introduction



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Actuarial Practice Standard (APS) 33 – Overview

- Standard element of professional practice for all **Annual Statutory Actuarial Valuation**
- Applicable for all **health, non life insurers and reinsurers**
- Requirements to be met as per **IRDA, Actuarial Practice Standards (APS)** and **Professional Conduct Standards (PCS)** requirements
- To provide reassurance to the actuaries and the users of actuarial work that the work has been performed up to a **relevant technical and ethical standards**
- Thereby reducing the **consequential risk** caused by the users of actuarial work

Effective from 1st December 2017

March 2018 statutory valuation to be fully peer reviewed

APS 33: Scope of Work

All relevant and significant aspects for **Annual Actuarial Valuation** such as :

- **Data**: Sufficiency, Accuracy and Credibility
- Review of **methodology and assumptions**
- Analyzing **utilization patterns of IBNR and IBNER** over time
- **Reasonableness of checks** applied on calculations
- **Reasonableness of Results**
- Adherence to **APS, PCS, and all applicable IRDA regulations**
- Adherence to **SOP's (optional - if Company requires)**
- Review of **clarity/quality of communication** for a piece of work
- **Suitability of the work/output** as per expectations of its user



APS 33: Who can be Peer Reviewer?



- Must possess appropriate **Certificate of Practice (COP)**
- Must be capable to contribute to all the **technical aspects of work**
- Must **not be an employee** of the insurer or of any of the group companies of the insurer
- **Rotation** - Maximum three consecutive annual statutory valuations can be peer reviewed by the same actuary
- **Disclosure** in case of commercial relationship with company to ensure the independence and objectivity of the peer review
- One year **cooling off period** applicable
- Appointed actuary and peer reviewer must not be from the **same firm**



Peer review: The End Result!

PEER REVIEW REPORT

- **Report addressed to Appointed Actuary** stating that peer review carried out within framework laid down by APS 33 and describing nature of work reviewed.
- **Differences, if any, should be resolved** before the Appointed Actuary makes his or her final report.
- **Material difference that remain unresolved should be mentioned** in the peer review report.
- Report of the peer reviewer should be **shared by Appointed Actuary with Board of the Insurer.**
- Furthermore, the Appointed Actuary can **share the peer review report with the regulator, if the regulator desires.**
- Report to be submitted **before the Appointed Actuary submit the results to the Insurer.**

