



Institute of Actuaries of India

Appointed Actuary System in India

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21st India Fellowship Seminar

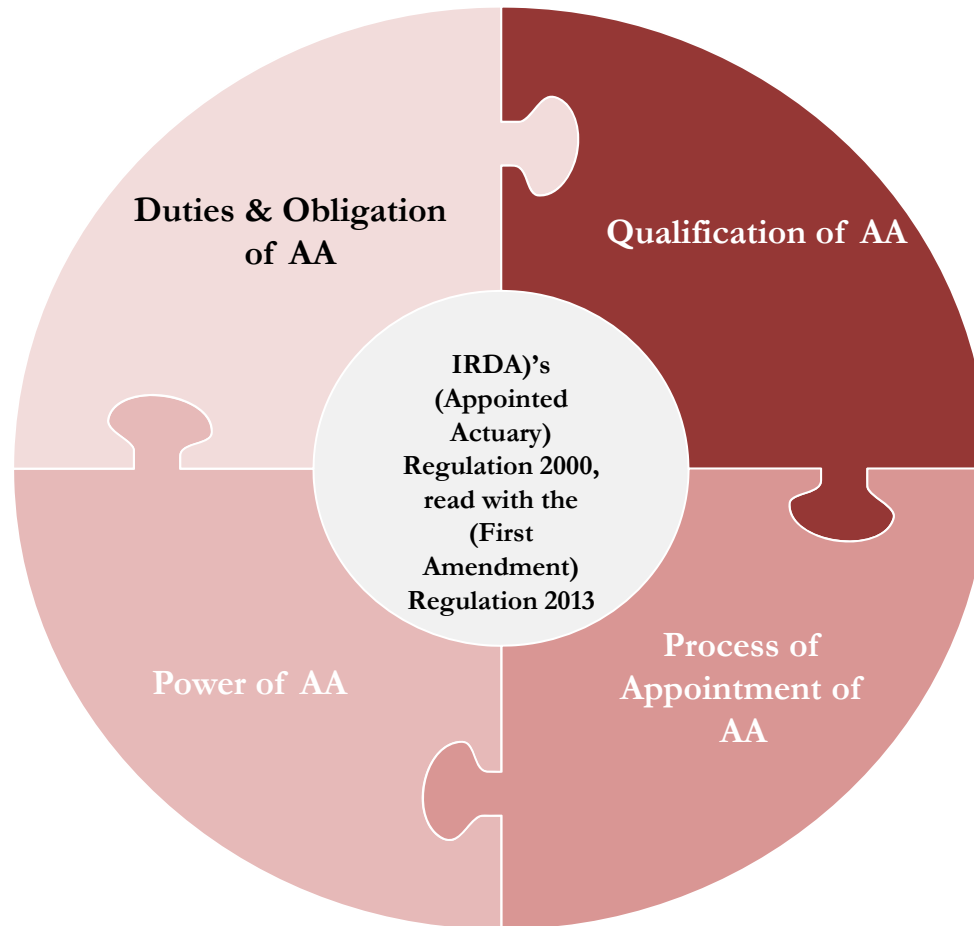
Indian Actuarial Profession
Serving the Cause of Public Interest

Agenda

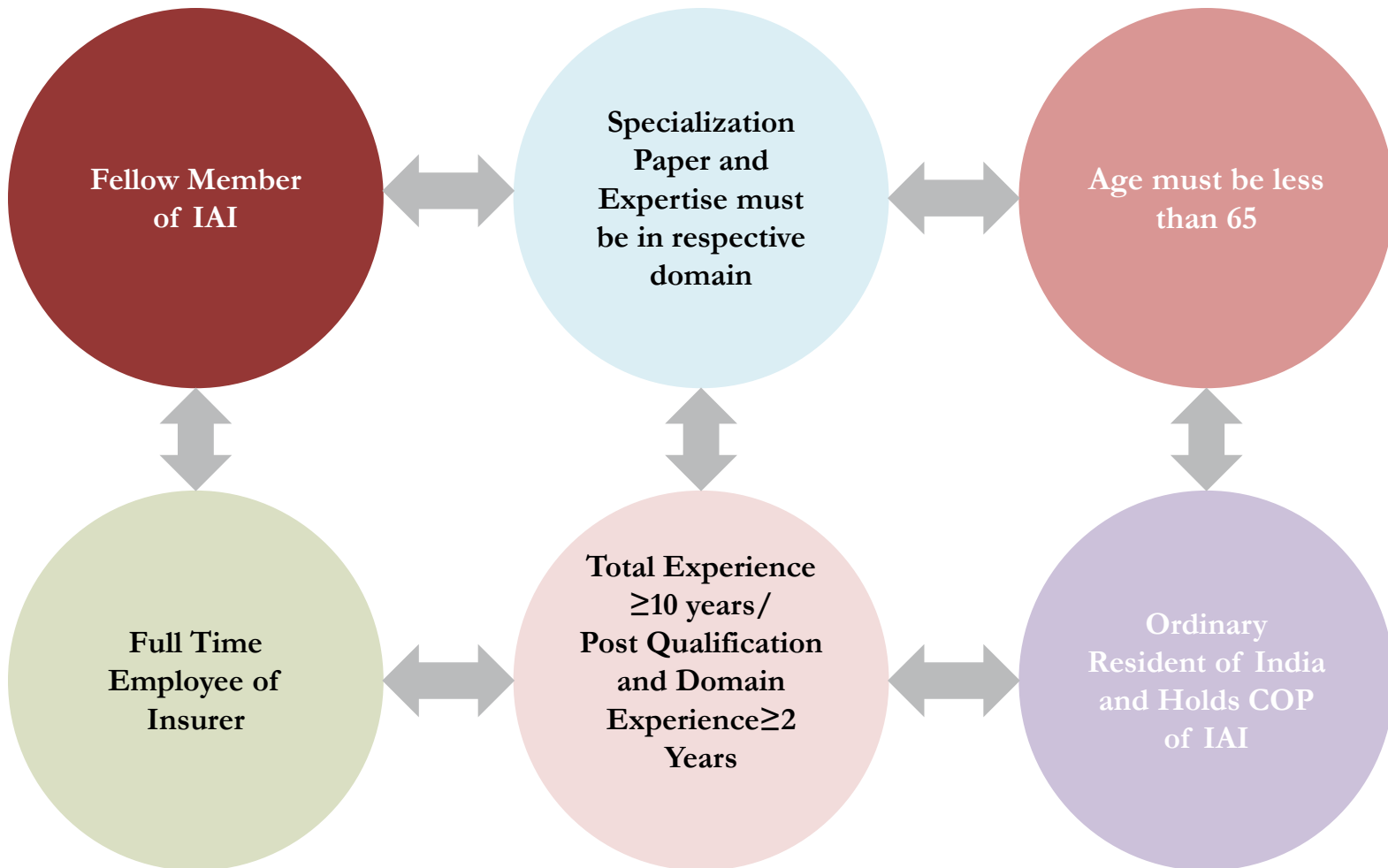


- Governing law in India
- Qualification of Appointed Actuary (AA) in India
- Process of Appointment of AA in India
- Powers of Appointed Actuary
- Roles and Responsibilities of AA
- Conflict of Interest
- Appointed Actuary systems in UK, Australia and US

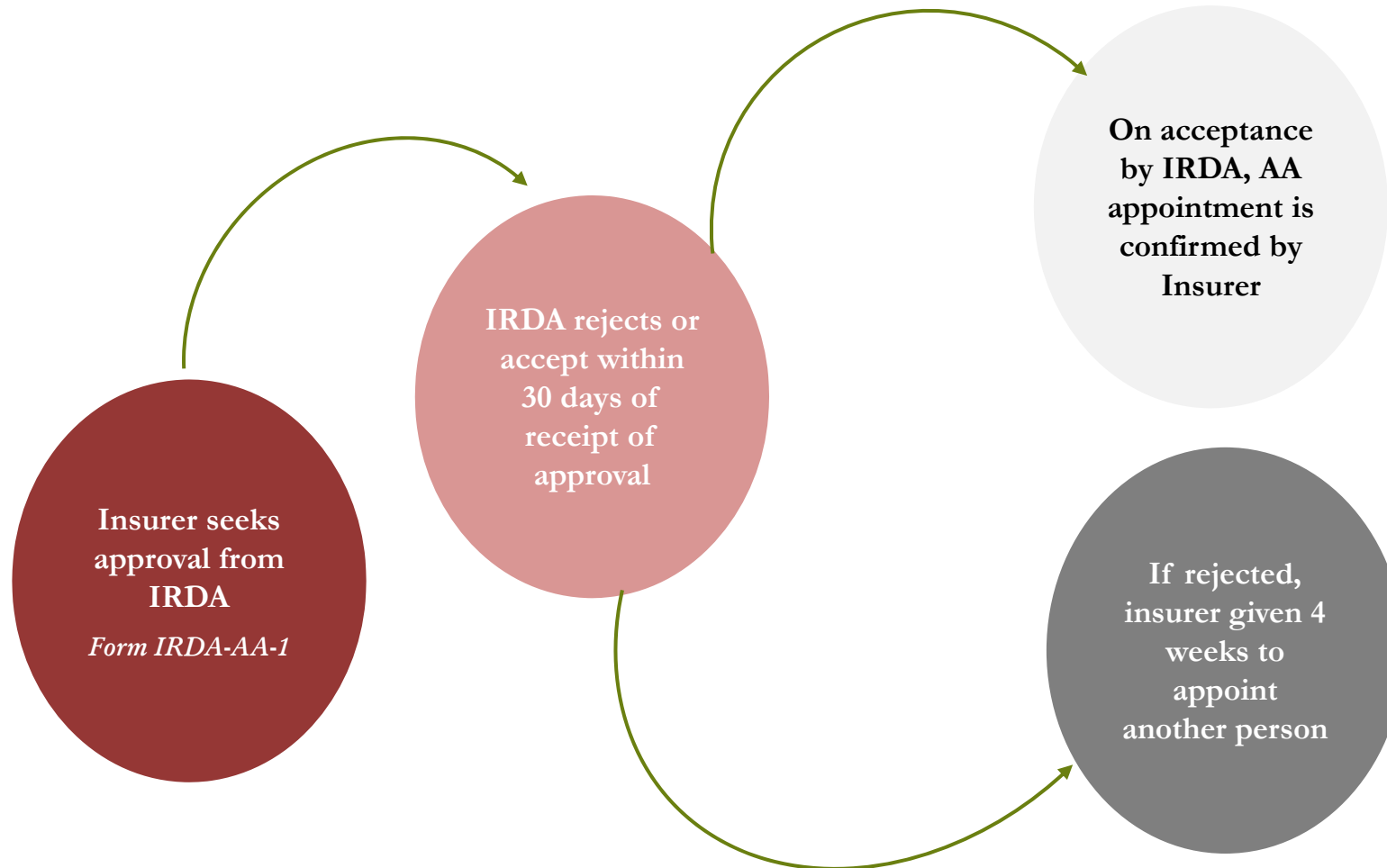
Governing Law in India



Required Qualification of AA



Process of Appointment of AA

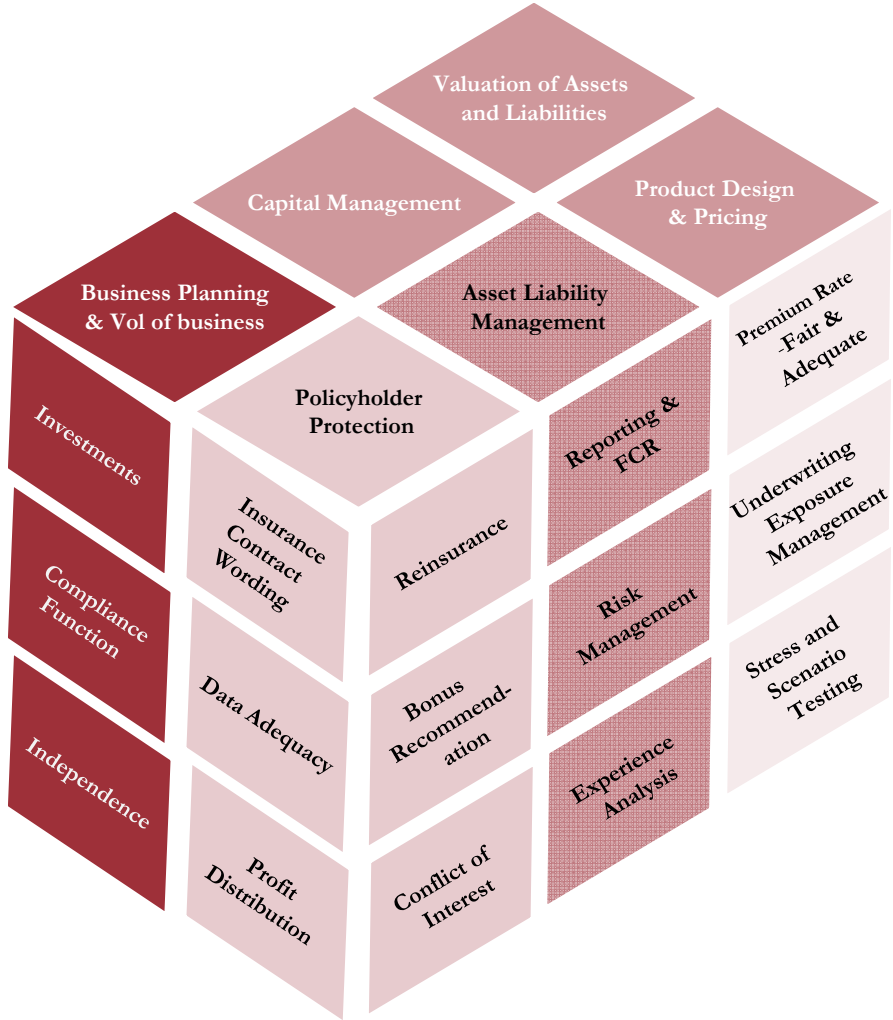


Power of AA



- ❑ Access to all information or documents in possession, or under control, of the insurer if such access is necessary for the proper and effective performance of the functions and duties of the AA
- ❑ Seek any information from any officer or employee of the insurer
- ❑ To attend all meetings of the management including the directors of the insurer and have the right to speak and discuss on the matters that relates to:
 - actuarial advice to the directors
 - affecting the solvency position of the insurer
 - affect the ability of the insurer to meet the reasonable expectations of policyholders
- ❑ To attend the meeting of the insurer at the insurer's annual accounts or financial statements are to be considered

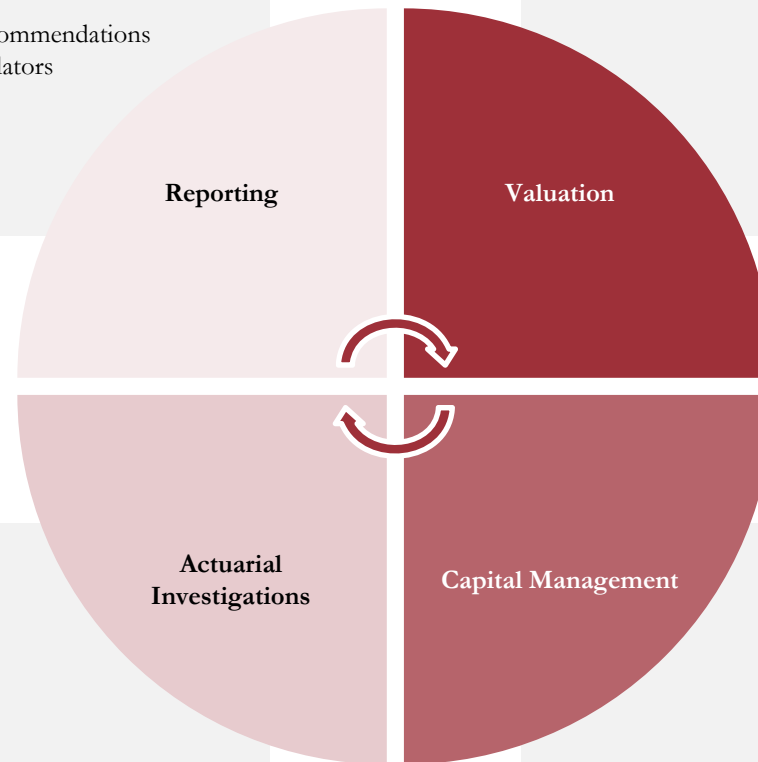
Roles of AA – Insurance Company – Holistic View



Roles of AA in Life Insurance



- Written reports should have results and implications of statutory valuations
- Ensure Board of Directors understand recommendations of Actuary before reports are sent to Regulators
- Certification of Actuarial Reports under Section 13 of Insurance Act
- FCR



- Assets & liability valuations taking into account their relationships
- Discount rates should reflect investment policy
- Recommend appropriate allocation of surplus
- Ensure appropriate size of margin for adverse effects

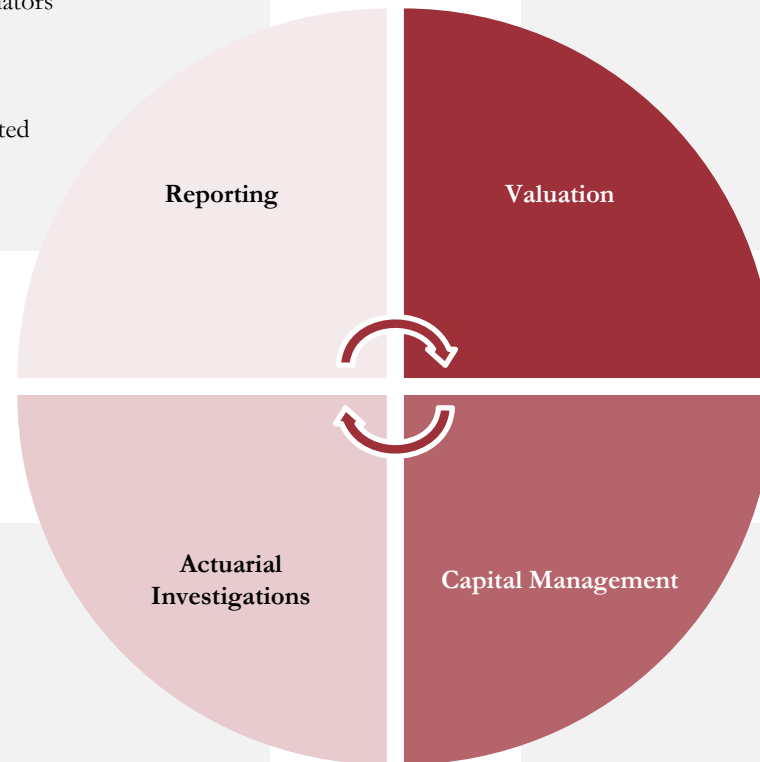
- Conduct actuarial investigations for the Statutory Valuation of the company
- Experience Analysis of:
 - ✓ mortality and morbidity experience
 - ✓ expense experience
 - ✓ investment experience

- Assess capital requirements using a cash flow approach
- Understand impact of guarantees and options on capital management
- Ensure solvency of insurer taking into account all financial matters

Roles of AA in General Insurance



- Ensure Board of Directors understand recommendations of Actuary before reports are sent to Regulators
- Certification of Actuarial Reports under Section 13 of Insurance Act
- Ensure that figures in report are not distorted by any undisclosed methods of valuation or assumptions



- Certify IBNR and IBNER reserves in the solvency statement and disclose assumptions and methodologies
- Set margins for adverse experience
- Ensure sufficiency of UPR

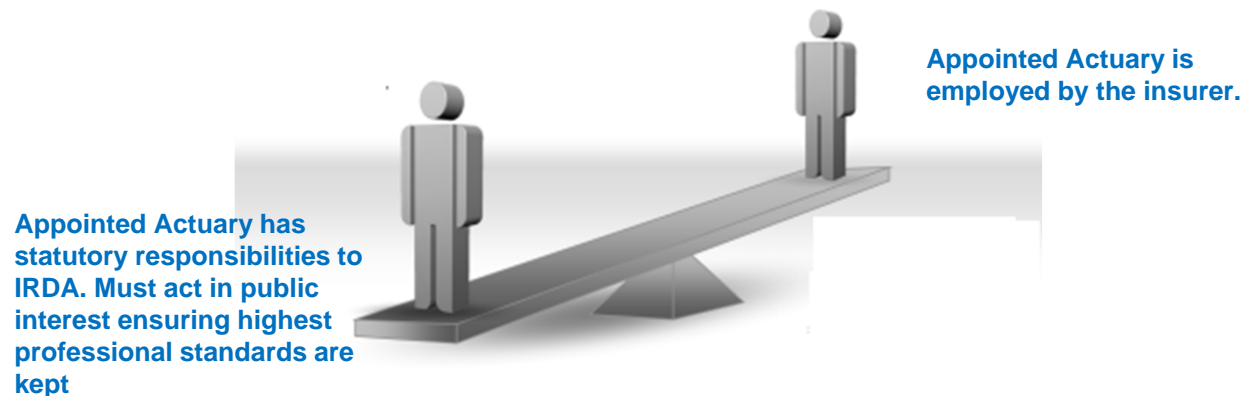
- Conduct actuarial investigations for the purpose of statutory valuations.
- Experience Analysis of:
 - ✓ claims experience
 - ✓ expense experience
 - ✓ investment experience

- Consider the ability of insurer to write business in the context of capital required
- Ensure solvency of insurer taking into account all financial matters
- Ensure the projected volumes of business is realistic and advise Board on capital requirements

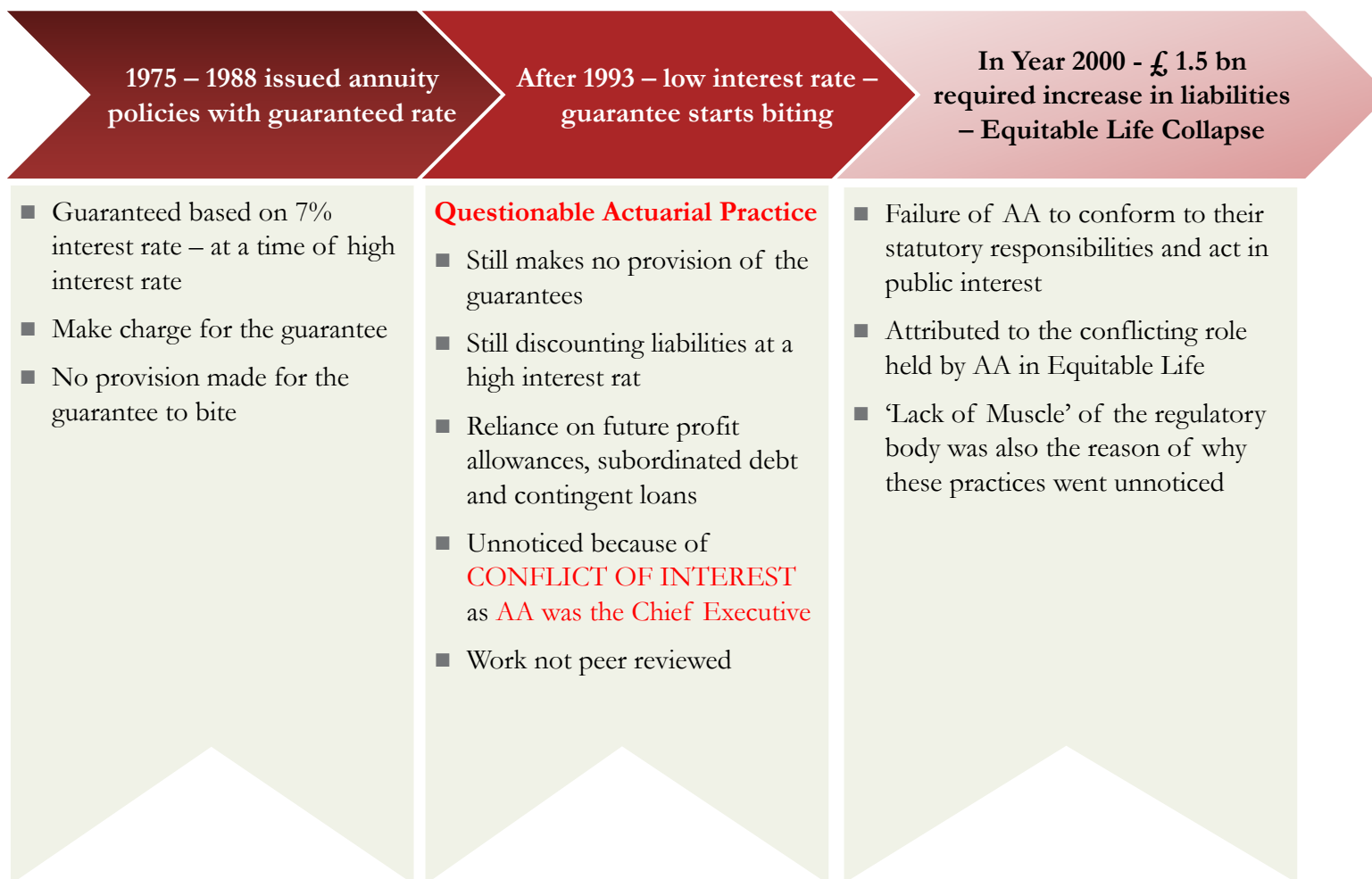
Conflict of Interest



- ❑ Appointed Actuary has the obligations both to the Insurer and IRDA which have the potential for causing conflicts of interest.
- ❑ The Appointed Actuary will have various regulatory responsibilities and supposed to be the 'eyes and ears' of the Regulatory Authority within the company and empowered to 'blow the whistle' when needed.
- ❑ An appointed actuary has statutory responsibilities to the IRDA and responsibilities to the client. In situations of material conflict the Appointed Actuary should advise the company as soon as he/she feels that there is a situation which would threaten the solvency of the company. If company does not remedy situation then Appointed Actuary is required to advise IRDA



Conflict of Interest – Case Study (Equitable Life)



AA System in the UK



- Consultation Paper 167 recommended change in structure
- Removed the position of Appointed Actuary
- Replaced it with Actuarial Function Holder, With profits Actuary and Reviewing Actuary
- Transfers more responsibility to Board

Actuarial Function Holder

- Responsible for Valuation of Liabilities
- Experience Analysis
- Risk Management and Controls
- Capital Management

With Profits Actuary

- Advice on areas of discretion for fair treatment of policyholders
- Compliance to principles and Practices of Financial management

Reviewing Actuary

- Review valuation reports
- Often employed as an **external auditor** to the company

AA System in Australia



- Appointed Actuary responsible for FCR (Financial Condition Report)
- FCR deals with valuations , risk controls, pricing etc
- External peer review (EPR) conducted by **external auditor** of FCR before submission to regulator
- Places more responsibility to Appointed Actuary

AA System in the USA



- ❑ **Appointed by the board of directors or by an executive officer designated by the board**

- ❑ Appointed Actuary's main duties are:
 - To give a reserve opinion
 - Follow the opinion with an actuarial memorandum
 - Appointed Actuary should seek guidance of auditors when in doubt

Your Recommendations – How to make system more robust?

Thank You!

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