



International Actuarial Association
Association Actuarielle Internationale



Institute of Actuaries of India
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**21st Global
Conference
of Actuaries**

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Key US Regulatory Reforms and Opportunities for Actuaries in India

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Agenda

- Regulatory Reforms
 - Life Principle Based Reserving (PBR)
 - Variable Annuity Capital and Reserve Reform
 - US GAAP Long Duration Targeted Improvements (LDTI)
- Implementation Challenges
- Opportunities



Principle Based Reserving (PBR) - Life Products

Effective from 1/1/2017 with a 3-year transition period, PBR becomes mandatory on 1/1/ 2020

- Prior to PBR, Standard formula-based approach with prescribed assumptions
- Rule-based approach resulting in excessive reserves for certain insurance products and inadequate reserves for others

PBR Approach

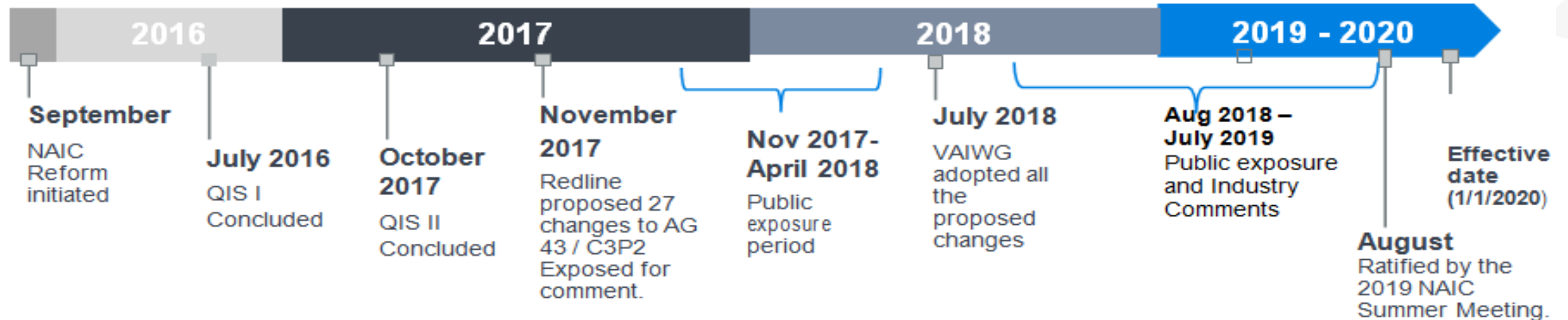
- Designed to better reflect product risk factors and company risk practices
- Companies can use their own experience where relevant and credible
- Assumptions are regularly reviewed and unlocked
- Life Products: Term Life, UL, ULSG, IUL, VUL
- Minimum Statutory Reserves will be determined from the below 3 components:



NAIC Variable Annuity Capital & Reserve Reform

The new framework is effective 1/1/2020

- Previous AG43 (reserving) and C3P2 (capital) standards are complex and have several shortcomings
- The purpose of new framework is to satisfy the following overarching objectives:
 - Ensure robustness of funding requirements
 - Promote sound risk management
 - Promote comparability across insurers and products
 - Preserve current statutory construct where feasible
 - Minimize implementation complexity



US GAAP Long Duration Targeted Improvements (LDTI)





Issued by Financial Accounting Standard Board (FASB) in August 2018 (ASU 2018-12)



The existing accounting model does not provide sufficient decision-useful information in a timely or transparent manner.

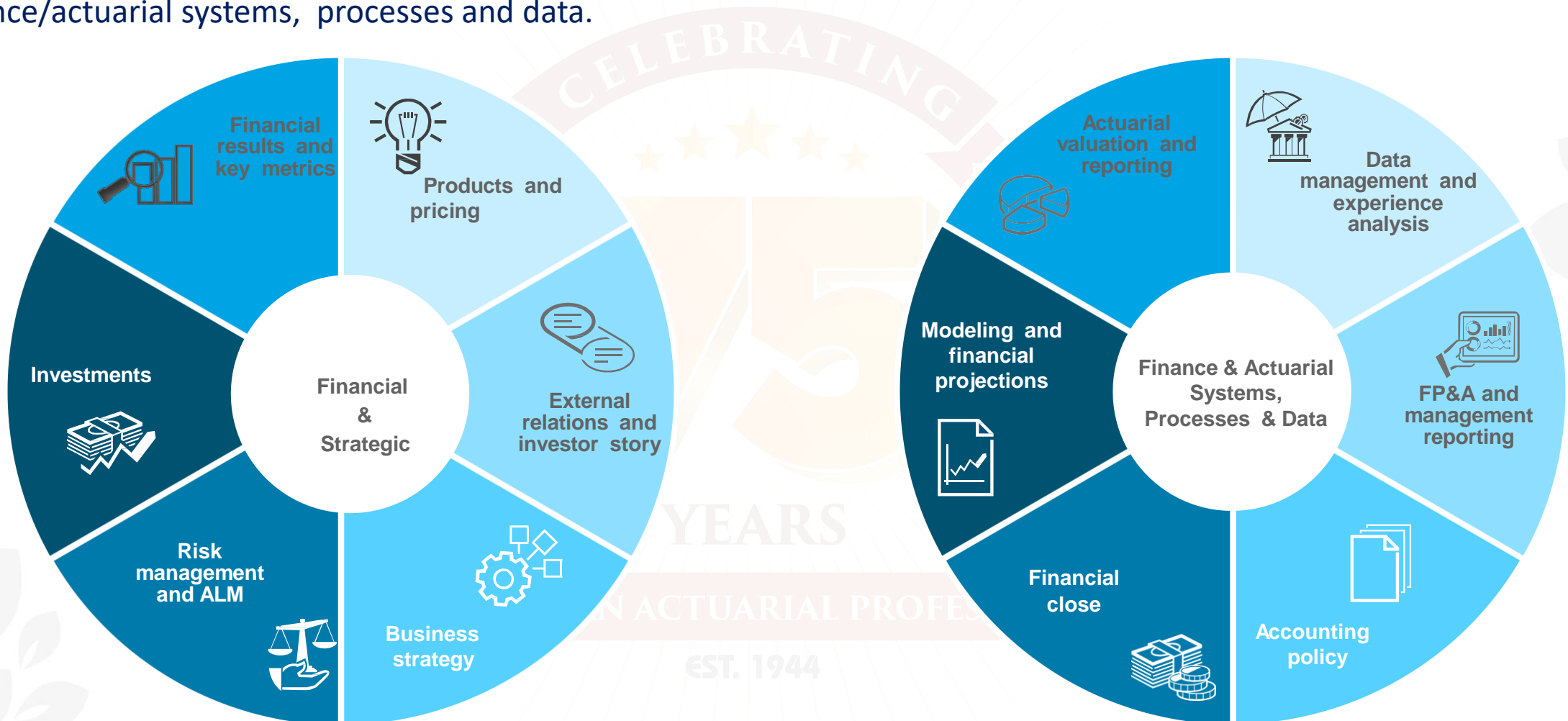
LDTI Key Changes:

The implementation deadline is 1/1/2022

Targeted Improvement	FASB's Intent	Products Affected
 Liability for Future Policyholder Benefits (FPB)	<ul style="list-style-type: none"> Improve the timeliness of recognizing changes in assumptions Modify the discount rate used 	<ul style="list-style-type: none"> Non-par traditional Long-duration and limited payment contracts
 Market Risk Benefits (MRB)	<ul style="list-style-type: none"> Simplify and improve accounting for certain market-based options or guarantees associated with deposit contracts 	<ul style="list-style-type: none"> Deposit products with certain benefit features (e.g., variable annuities, fixed index annuities)
 Deferred Acquisition Costs (DAC)	<ul style="list-style-type: none"> Simplify the methods to amortize DAC 	<ul style="list-style-type: none"> All products except certain investment contracts
 Disclosures	<ul style="list-style-type: none"> Improve the effectiveness of disclosures in interim and annual financial statements 	<ul style="list-style-type: none"> All long-duration products

LDTI Impacts for the Organizations

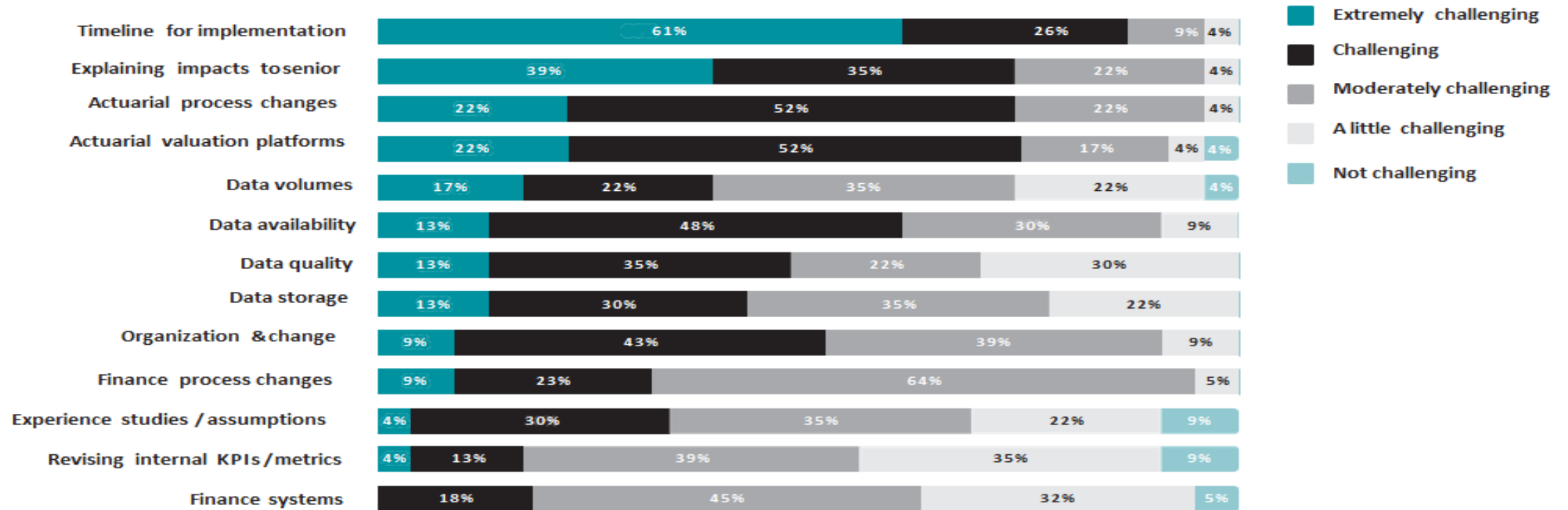
The GAAP changes will have broad implications to insurers' financial results, business strategies and practices and finance/actuarial systems, processes and data.



LDTI - Implementation Challenges (Industry Survey)

Companies will have to make significant changes, in a relatively short period of time, to systems, data related processes and models.

Implementation Challenges



Source : PwC Industry Survey 2019

Opportunities for Organizations

Companies are looking for more effective ways for getting things done in a timely and efficient manner

- Leverage on synergies between the Reforms/Initiatives
- Transform Finance & Actuarial functions
 - Target Operating Model
 - Standardization
 - Consolidation
 - Robotics Process Automation (RPA)
 - Model Migration to advanced service based (Cloud) platforms
 - Advance Analytics / AI Tools

CELEBRATING
75
YEARS
ACTUARIAL PROFESSION
EST. 1944

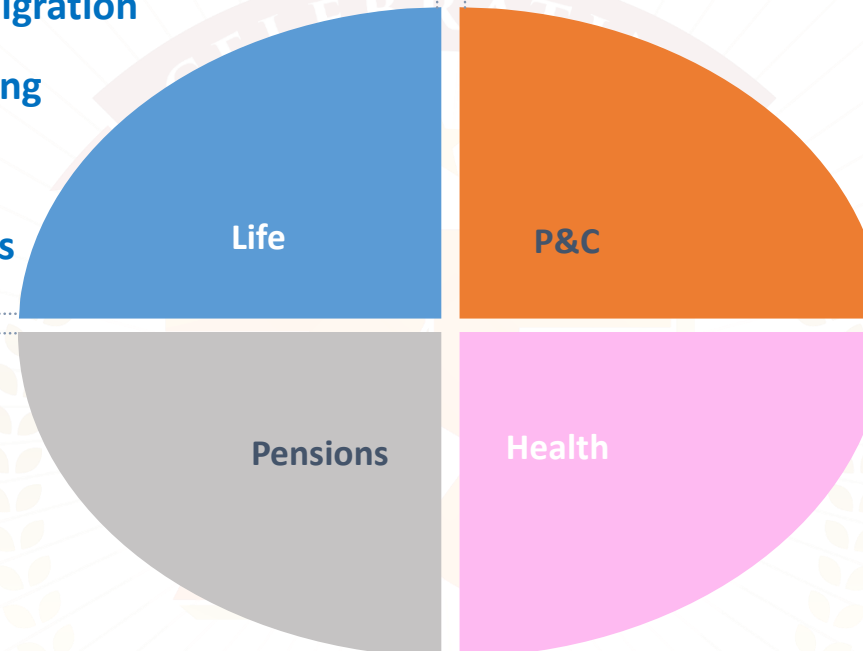
Opportunities for Actuaries in India

Given the extensive scope of these changes, companies are capacity constrained, as marketplace demand for the skilled professionals exceeds the supply.

- **About 25 Insurance captives in India across Life, PC, Health and Pension domain provide services to their parent organizations**
- **Actuarial /Analytics Centers in India are expanding significantly to support the growing demand for Actuaries and Finance Professionals**
- **Global firms gaining efficiencies by consolidating common work streams to India location**
- **India is a preferred location due to actuarial Talent Pool available, lower cost, access to skilled workforce, productivity and flexible working hours**
- **Time difference between India and other geographies helping companies to create round the clock functioning of the actuarial teams**

Actuarial Services – Captive Centers (India)

- Modeling, Testing, Model Migration
- Valuation/ Financial Reporting
- Pricing, Experience Studies
- Business Planning & Analysis



- Pricing, Reserving
- Financial Reporting
- Capital Modeling
- Business Planning & Analysis

- Valuation
- Business Planning
- Asset Liability Modeling

- Valuation, Pricing
- Fraud Detection
- Claims Analytics
- Trend Analysis

About 25 Insurance captives in India across Life, PC, Health and Pension domain provide services to their parent organizations ranging from data preparation to advanced analytics, risk & actuarial modeling



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Thank You