

19th Global Conference of Actuaries

30th - 31st January, 2018 | Mumbai, India



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Review of recent insurance IPOs and role of actuaries

31 January, 2018 15:50-16:35



Limited number of insurance IPOs around the world

- No regulatory requirements for actuarial report as part of listing prospectus

Opportunity for actuaries in India

- Six IPOs in the past 1.5 years
- A few more likely in the coming years

Drivers for IPOs include:

- Need for the promoters to encash value generated
- Buoyant stock markets
- Access to capital for funding future growth plans (e.g. M&As)
- Regulatory desire for more transparency

IPOs thus far



Company Name	Line of Business	Date of Listing	Amount Raised (INR Cr)	Stake sold	Implied valuation at issue price (INR Cr)
ICICI Prudential	Life	Sept 2016	6,057	12.63%	47,956
ICICI Lombard	Non-Life	Sept 2017	5,700	19%	30,000
SBI Life	Life	Oct 2017	8,400	12%	70,000
GIC Re	Non-Life	Oct 2017	11,372	14.22%	79,980
New India Assurance	Non-Life	Nov 2017	9,600	14.56%	65,934
HDFC Life	Life	Nov 2017	8,695	15%	58,083



Regulatory requirements on life insurance IPOs

Specified in the IRDA (Issuance of Capital by Indian Insurance Companies Transacting Life insurance Business) Regulations 2015.

While granting approval, the IRDA considers:

- The period for which the insurer has been in business
- History of regulatory compliance
- Compliance with regulatory solvency requirements for preceding six quarters
- Compliance with corporate governance guidelines
- Compliance with disclosures requirements
- Compliance with “Indian owned and controlled” requirements
- Record of policyholder protection
- Embedded value of the company prepared by an Independent Actuary as per the practice standards issued by IAI

Regulatory requirements on non-life insurance IPOs

- Specified in the IRDA (Issuance of Capital by Indian Insurance Companies Transacting Other Than Life Insurance Business) Regulations 2015



Listing requirements in India

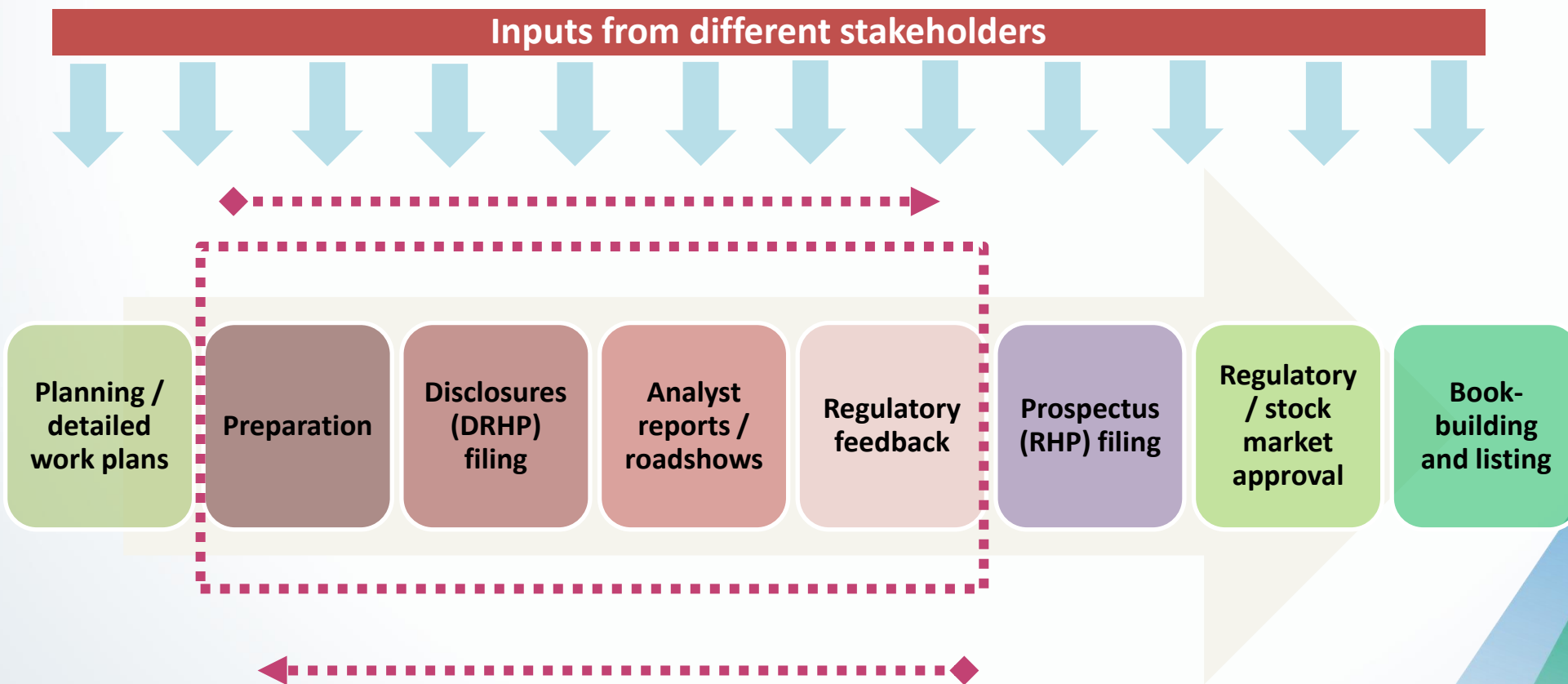
Regulatory requirements

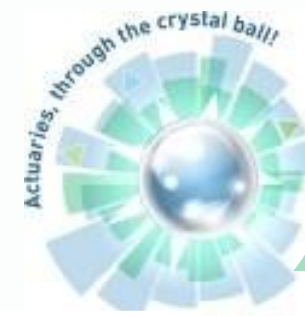
- Prior approval of IRDAI
- Securities and Exchange Board of India (SEBI) requirements for IPOS as specified in the ICDR Regulations 2009.
- Red Herring Prospectus to include:
 - Overview of insurance industry
 - Risk factors
 - Financial statements
 - Embedded valuation (Life)
 - Particulars of the issue
 - Information about the issuer
 - Legal and other information
 - Information in respect of policyholder protection, grievance redressal, etc.

Professional requirements - APS10

- “Indian Embedded Value” (IEV) methodology
- Departure is acceptable if not “material”
- “Materiality” set by the Board and disclosed
- Detailed disclosure requirements in the EV report - methodology, assumptions, results, sensitivity analysis etc.
- Results include embedded value, movement analysis in constituent parts, VNB / VNB margins
- Minimum sensitivity analysis required (approximately 50+)

A typical listing process





Issues to consider (1)

Independent Actuary as “Expert” as defined in section 2(38) of Companies Act, 2013

Limitation of number of ‘independent’ actuaries

Need for robust documentation

Materiality

Data audit

Technical aspects:

- Forward looking projections not allowed
- Market consistency
- Best estimate projection assumptions
- CRNHR – How?
- TVFOG – Limitations

Issues to consider (2)



Model review – coverage, tolerance

Disclosures

- Details
- Consistency against other documents / information

Timelines

- Financial numbers not more than six months old

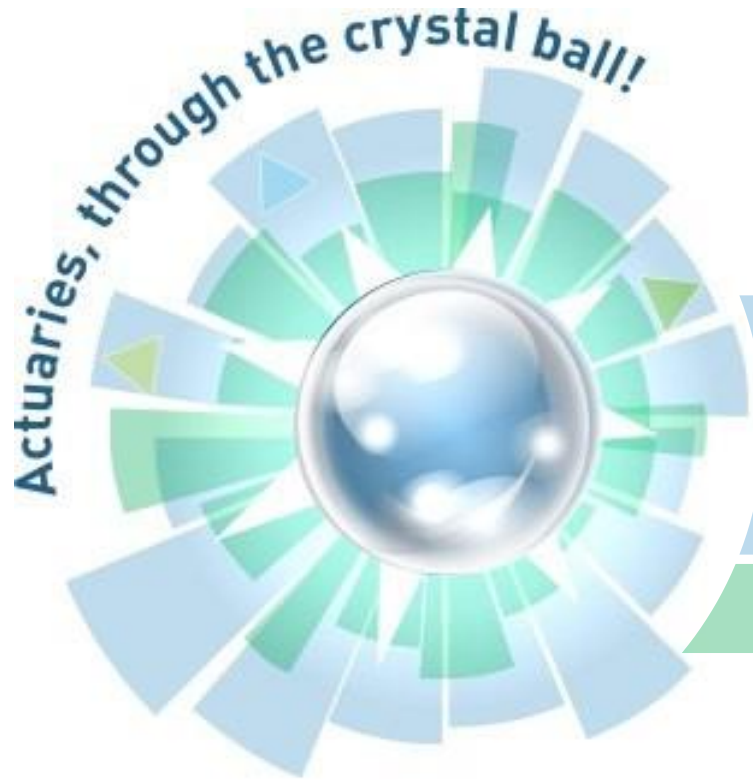
Planning and preparedness

- Pre-IPO
- Post-IPO

Issues for discussion

- Need for regulatory requirements of EV disclosures?
- Need for a standard specified by the IAI (such as APS10)?
- Need to revisit APS10 –
 - Removal of 'Reviewing Actuary' requirements
 - Clarifying certain technical aspects / wordings
 - Disclosure – too much?
- Need for standards for ongoing disclosures?
- Need for independent certification of non-life reserves?
- Implications of risk based capital (RBC) once introduced





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Thank You



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