

# 2nd Seminar on Professionalism, Ethics and Conduct

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Overview of the Actuarial Practice Standards -  
GI Actuaries in India

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# Agenda



## Will cover-

- APS 21- Appointed Actuary and General Insurance Business (Version 1.01-Effective-01.01.2012)
- APS 33- Peer Review of Appointed Actuary's work in General and Health Insurance / Reinsurance (Version 1.00-Effective-01.12.2017)

# Part 1- APS- 21

## Appointed Actuary and General Insurance Business

# APS 21



## Application

- Appointed Actuary (AA) - Section A
- All other actuaries, who as a matter of course, get associated with a general insurer and have to relate directly or indirectly to the Appointed Actuary of such a general insurer - Section B

# APS 21 - AA



## Sub-Sections -

1. Legal Framework - Role of AA as per IRDA
2. Nature of Responsibility
3. Considerations affecting the position of Appointed Actuary
4. Extent of the Appointed Actuary's responsibility
5. The duties of the Appointed Actuary
6. Premium rates and policy conditions for new products and existing products onsale
7. Capital Requirements
8. Actuarial investigations
9. Written reports
10. Declaration

# APS 21 - Legal Framework



- The following regulations and amendments thereto from time to time issued under the IRDA:
  - IRDA (Registration of Indian Insurance Companies) Regulations 2000,
  - IRDA (Actuarial Report and Abstract) Regulations, 2000
  - IRDA (Investment) Regulations, 2000
  - IRDA (Assets, Liabilities and Solvency Margin of Insurers) Regulations, 2000 etc.

# APS 21 - Nature of Responsibility

- An Appointed Actuary should ensure, so far as is within his / her authority, that the general insurance business of the company is conducted on **sound financial lines** and monitor any action / practice, which in his / her opinion, is unfair and likely to be **prejudicial** to the interests of the policyholders
- Maintain high Professional standards and **seek help and advice** from IAI in case of any significant matter where AA is uncertain about the proper course of action



# APS 21 - Considerations affecting the position of AA

- Holds COP
- Any actuary, before accepting the appointment as an AA, must consider whether acceptance would be in line with proper professional behavior and standards.
- No actuary should act as Appointed Actuary if he / she does not have the adequate knowledge
- The AA must have a right of access to the Board of Directors in general and the Principal Officer and should have access to all relevant information,
- Complies all time with IRDA AA regulations
- In case of material conflict of financial interest then should not accept the AA position

# APS 21 - Extent of the AA's Responsibility

- Consistency between Responsibility to Profession and, Clients. AA has statutory responsibilities to IRDA. If these two aspects materially conflict, the AA has to advise the company as soon as he / she feels that the company has initiated any action - or a situation has - that materially threatens its solvency. If the company does not remedy the situation, the AA is required to advise the IRDA - but not before informing the company first.
- The AA must ensure that his / her conduct and reach and depth of his/ her functionalities enable him / her to discharge his / her duties and obligations in letter and script in accordance with regulation (8) of AA Regulations

# APS 21 - The Duties of the AA



- Certify -Premium, Claims Reserving
- AA shall also perform those duties as called upon by IRDA from time to time
- Section on Premium Rates and Capital Requirements

# APS 21 - Actuarial Investigations

- If the Appointed Actuary desires to assess the value of any given liabilities using discounting methods, consideration must be given to the liabilities, the assets and the relationship between the two
- Keeping in view tax regime as applicable to general insurance companies, due allowance must be made for tax. This allowance must then be consistent with any allowance made for the tax relief on expenses.
- Investment Policy, RI, Expenses, UPR, URR etc.

# APS 21 – Written Reports



- The AA must report in writing to the Board of Directors of the company on the results and implications of any valuation carried out for statutory purposes before any report is made to the IRDA.
- Declaration of Compliance with the APS & GNs

## Part 2- APS -33

# Peer Review of Appointed Actuary's work in General and Health Insurance / Reinsurance

# APS 33



## Application

- Peer review to be a standard element of professional practice for **all annual statutory actuarial valuations** carried out by an Appointed Actuary of a non-life insurer or non-life reinsurer and all Actuaries working as peer reviewers of such Appointed Actuaries

# APS 33 - Objectives



- To lead to an opinion by the reviewing actuary that the work of the AA is **in conformity** with the generally accepted actuarial principles and practices.
- Provides reassurance to the actuaries and the users of actuarial work that the work has been performed up to **relevant technical and ethical standards**, and hence, to reduce the consequential risk caused by the users of actuarial work
- This also ensures that the regulatory requirements of IRDA, requirements of relevant Actuarial Practice Standard (APS) and Professional Conduct Standards (PCS) have been fulfilled



# APS 33 - Scope



It should cover all relevant and significant aspects of actuarial work relating to statutory annual valuation. Non-exhaustive list includes some of the activities-

- Reviewing the reasonableness of the data checks, calculations, methodology and assumptions and results
- A review of the extent to which the work has been carried out in accordance with the - Professional Conduct Standards by IAI, Actuarial Profession Standards and other applicable regulatory and/or legislative requirements.
- A review of the clarity and/or quality of communication
- A review of the extent to which the work is suitable for the needs and reasonable expectations of the user of the work or of the user of the outputs to which it gives rise

# APS 33 - Process Outline



- Peer review can be an **iterative process** which can involve the peer reviewer passing comments back to the AA and the AA responding to those comments until they are satisfied that the work has been suitably reviewed
- It is acceptable for the AA and the Peer Reviewer to disagree on a point. There can be different levels of disagreement. For example, it may be the case that the Peer Reviewer would leave it upon AA to make the decision as to how to resolve the disparity. Where the issue is material, both Peer Reviewer and AA should give sufficient prominence towards element of reasonable professional difference in their respective report. **In some circumstances the disagreement might be so significant that it is preferable to obtain a third opinion.**

# APS 33 - Output



The following is a non-exhaustive list of possible outputs:

- Record of peer review taking place;
- Record of peer review taking place and all issues having been resolved
- Record produced in the form of completed checklist of peer review issues considered; or
- Detailed record of peer review feedback and resolutions arising
- Peer Review Report should cover the aspects

# APS 33 - General



- The peer reviewer should submit a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed
- It is expected that differences, if any, between the viewpoint of the Appointed Actuary and the peer reviewer should be resolved before the Appointed Actuary makes his or her final report. However, to the extent that any material difference remains unresolved, the same should be mentioned in the peer review report
- The report of the peer reviewer should be shared by the Appointed Actuary with the **Board of the insurer**

# APS 33 - General



- Furthermore, the Appointed Actuary can share the peer review report with the regulator, if the regulator desires.
- The Appointed Actuary retains entire responsibility for his or her work in compliance with the AA Regulations and in conformity with the provisions of the APS and PCS of the IAI. The Appointed Actuary must therefore retain the final say on whether or not any element of his or her work needs to be changed as a result of the peer review.



Thanks