

Insurance Regulations, Regulatory role of the Actuary and Actuarial Profession: India, the experience and learning points for Myanmar

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India: Insurance Regulations

- 1912: Earliest legislation iro Life Insurance
- Later on Other legislations iro Marine, Motor & other insurances
- 1938: Insurance Act, 1938 covering all aspects of Insurance Business. The Insurance Act, 1938 still in vogue with amendments
- 1999: Insurance Regulatory and Development Authority Act creating Insurance Regulator, the IRDA



India: Insurance Regulations.....

- The Insurance Act, 1938 created **Controller of Insurance** but as a Department of the Government
- IRDA Act, 1999 created Insurance Regulatory and Development Authority, an Authority to regulate Insurance Business with defined functions independent of the Government in most of the functions.



India: Regulatory Role of the Actuary

- Insurance Act , 1938 required the Controller of Insurance to be an Actuary with exception powers resting with the Government
- Insurance Act, 1938 required number of specified functions to be performed by Actuaries
- IRDA Act, 1999 empowered the IRDA to make regulations and IRDA put in place IRDA (Appointed Actuary) Regulations 2000 (amended in February 2013) [here in after called AAR]



India: Regulatory Role of the Actuary.....

- The AAR requires every insurer to appoint one person called Appointed Actuary: full time employee in case of Life Insurers and could be part time or on consulting basis in case of General Insurers including Health Insurers
- The General Insurers including Health Insurers are now required to have, effective Feb., 2015 the Appointed Actuary as full time employee.



India: Regulatory Role of the Actuary.....

The Appointed Actuary in the eyes of AAR;

Powers of Appointed Actuary

- (1) An appointed actuary shall have 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 appointed actuary.
- (2) The appointed actuary may seek any information for the purpose of sub-regulation (1) of this regulation from any officer



India: Regulatory Role of the Actuary.....

The Appointed Actuary in the eyes of AAR;

Powers

- (3) The appointed actuary shall be entitled,
- (a) to attend all meetings of the management including the directors of the insurer;
 - (b) to speak and discuss on any matter, at such meeting,--
 - (i) that relates to the actuarial advice given to the directors;
 - (ii) that may affect the solvency of the insurer;
 - (iii) that may affect the ability of the insurer to meet the reasonable expectations of policyholders; or
 - (iv) on which actuarial advice is necessary;
 - (c) to attend,--
 - (i) any meeting of the shareholders or the policyholders of the insurer; or
 - (ii) any other meeting of members of the insurer at which the insurer's annual accounts or financial statements are to be considered or at which any matter in connection with the appointed actuary's duties is discussed.



India: Regulatory Role of the Actuary.....

The Appointed Actuary in the eyes of AAR;

Duties and obligations;

- (a) rendering actuarial advice to the management of the insurer, in particular in the areas of product design and pricing, insurance contract wording, investments and reinsurance;
- (b) ensuring the solvency of the insurer at all times;
- (c) complying with the provisions of the section 64V of the Act in regard to certification of the assets and liabilities that have been valued in the manner required under the said section;
- (d) complying with the provisions of the section 64 VA of the Act in regard to maintenance of required solvency margin in the manner required under the said section;



India: Regulatory Role of the Actuary.....

**The Appointed Actuary in the eyes of AAR;
Duties and obligations.....;**

- (e) drawing the attention of management of the insurer, to any matter on which he or she thinks that action is required to be taken by the insurer to avoid--
 - (i) any contravention of the Act; or
 - (ii) prejudice to the interests of policyholders;
- (f) complying with the Authority's directions from time to time;



India: Regulatory Role of the Actuary.....

The Appointed Actuary in the eyes of AAR;

Duties and obligations

(g) in the case of the insurer carrying on life insurance business,--

- (i) to certify the actuarial report and abstract and other returns as required under section 13 of the Act;
- (ii) to comply with the provisions of section 21 of the Act in regard to further information required by the Authority;
- (iii) to comply with the provisions of section 40-B of the Act in regard to the bases of premium;
- (iv) to comply with the provisions of the section 112 of the Act in regard to recommendation of interim bonus or bonuses payable by life insurer to policyholders whose policies mature for payment by reason of death or otherwise during the inter-valuation period;



India: Regulatory Role of the Actuary.....

**The Appointed Actuary in the eyes of AAR;
Duties and obligations**

- (v) to ensure that all the requisite records have been made available to him or her for the purpose of conducting actuarial valuation of liabilities and assets of the insurer;
- (vi) to ensure that the premium rates of the insurance products are fair;
- (vii) to certify that the mathematical reserves have been determined taking into account the guidance notes issued by the Actuarial Society of India and any directions given by the Authority;
- (viii) to ensure that the policyholders' reasonable expectations have been considered in the matter of valuation of liabilities and distribution of surplus to the participating policyholders who are entitled for a share of surplus;
- (ix) to submit the actuarial advice in the interests of the insurance industry and the policyholders;



India: Regulatory Role of the Actuary.....

**The Appointed Actuary in the eyes of AAR;
Duties and obligations**

- (h) in the case of the insurer carrying on general insurance business to ensure, --**
 - (i) that the rates are fair in respect of those contracts that are governed by the insurer's in-house tariff;
 - (ii) that the actuarial principles, in the determination of liabilities, have been used in the calculation of reserves for incurred but not reported claims (IBNR) and other reserves where actuarial advice is sought by the Authority;



India: Regulatory Role of the Actuary.....

**The Appointed Actuary in the eyes of AAR;
Duties and obligations**

- (i) informing the Authority in writing of his or her opinion, within a reasonable time, whether,--
 - (i) the insurer has contravened the Act or any other Acts;
 - (ii) the contravention is of such a nature that it may affect significantly the interests of the owners or beneficiaries of policies issued by the insurer;
 - (iii) the directors of the insurer have failed to take such action as is reasonably necessary to enable him to exercise his or her duties and obligations under this regulation; or
 - (iv) an officer or employee of the insurer has engaged in conduct calculated to prevent him or her exercising his or her duties and obligations under this regulation.



India: Regulatory Role of the Actuary.....

The Appointed Actuary in the eyes of AAR;

Absolute Privilege of Appointed Actuary;

- (1) An appointed actuary shall enjoy absolute privilege to make any statement, oral or written, for the purpose of the performance of his functions as appointed actuary. This is in addition to any other privilege conferred upon an appointed actuary under any other Regulations.
- (2) Any provision of the letter of appointment of the appointed actuary, which restricts or prevents his duties, obligations and privileges under these regulations, shall be of no effect.



India: The Actuarial Profession.....

The Size;

- Some 300+ Fully Qualified Actuaries (FQAs)
- Some 9,000 + student members at various levels of qualification
- Good number of FQAs and students work out side India
- Exams are held in some 40I centres within India and some 15 centres outside India



India: The Actuarial Profession.....

Global nature of IAI

- Mutual recognition with Institute and Faculty of Actuaries (IFoA) in the UK
- Mutual Recognition with Institute of Actuaries of Australia
- Large number of students take examinations besides of IAI, of IFoA in the UK, Casualty Actuarial Society in the US and Society of Actuaries in the US.
- Outside UK, the IFoA has largest number of students in India, about 3,000+



India: The Actuarial Profession.....

Global nature of IAI....

- IAI examination systems, the syllabus, structure of qualification and the study material is closely aligned with that of IFoA
- The quality of examiners is ensured by engaging at least one senior and experienced examiner out of the UK in each subject (except the last subject which is about India specific applications).
- IAI is a full member association of the International Actuarial Association



India: The experiences and learning points for Myanmar

The Regulatory role of the Actuary

- Quality of Demand (on the AA) and Quality of supply (of the AA) particularly in the General Insurance and Health Insurance
- Quality of Demand (on the AA) is largely driven by Government owned Insurers
- Perceived conflicting nature of role of the AA with that of the CEO and the CFO
- Effectiveness of the jurisdiction of Regulatory Authority over the AA particularly when the AA is not a member of the local actuarial association.
- Inability of the local actuarial association to put in place quality actuarial practice standards and enforce compliance.



India: The experiences and learning points for Myanmar.....

The Actuarial Profession

- India is a Direct Education system as against Derivative Education system – should Myanmar adopt Direct Education system?
- India has actuarial profession organised within framework of statute, virtually Government influencing the way it functions and members are regulated. The quality of compliance by members and enforcement of conduct standards gets affected. How should Myanmar organise actuarial profession within Myanmar?
- In case Myanmar adopts Derivative Education approach, how should it ensure that the Appointed Actuary system is effective?
- IAI has been faced in past with large entry of students not able to cope up with the quality of exams and thus generating negative image of the profession. How should Myanmar avoid such a situation?



India: The experiences and learning points for Myanmar.....

The Actuarial Profession

- For variety of reasons IAI has not encouraged University Actuarial Education. Myanmar may examine this aspect rather closely.
- At some points within IRDA the quality of actuarial regulatory capacity and capability was an issue. How does Myanmar ensures that this does not happen?

