

Principles and Procedures for issuance of Guidance Notes (GNs)

Author: Council of the Institute of Actuaries of India

Status: Approved by Council of the Institute of Actuaries of India under section 19(2)(i) of the Act

Version	Effective from
1.00	16.11.1997
2.00	01.08.2003
3.00	27.06.2009

Section	Description
-	Definitions
1	Introduction
2	Classification of Guidance Notes
3	Criteria for issuance of Guidance Notes
4	Procedure

Definitions

1. Authority means Insurance Regulatory and Development Authority (IRDA) constituted under Insurance Regulatory and Development Authority Act, 1999.
2. Act means the Actuaries Act, 2006 (35 of 2006)
3. Institute means the Institute of Actuaries of India (IAI) incorporated under section 3 of the Act by dissolving the erstwhile Society under Section 48 of the Act.
4. Board means Quality Review Board established under section 43 of the Act
5. Council means the Council of the Institute composed under section 12 of the Act
6. Disciplinary Committee means the Disciplinary Committee constituted by the Council under section 26 of the Act.
7. Due Process means the procedures for introducing or amending a GN as laid down under these “Principles and Procedures for issuance of Guidance Notes”.
8. GN means a Guidance Note issued with due process under these “Principles and Procedures for issuance of Guidance Notes and those issued by the Board under Section 44 of the Act”.
9. Professional Guidance means the Professional Conduct Standards and all the Guidance Notes

10. Recommended Interim GN means such GN issued as recommended practice within the provisions of these Principles and Procedures for issuance of Guidance Notes
11. Relevant Advisory Group means Advisory Groups on Professional Affairs and Standards, Life Insurance, General Insurance, Pensions and Social Security and Health Insurance as the case may be, with reference to the context.
12. Society means erstwhile Actuarial Society of India (ASI) dissolved under section 48 of the Act
- 13 'Member' means a fellow or affiliate member of the Institute

1. Introduction:

- 1.1 These notes are intended to be enabling authorization for and to be a source of principles underlying issue of Guidance Notes (GN's) from time to time. Version 1.00, and 2.00 were issued by the Society and were effective from 16.11.1997 and 01.09.2003 respectively
- 1.2 Institute of Actuaries of India is a body corporate interested to promote mutual esteem and respect amongst actuaries and to provide a forum for discussion among actuaries with the objects set out in section 5 (but not limited to) of the Act as under:
- a) to promote, uphold and develop the standards of professional education, training, knowledge, practice and conduct amongst actuaries;
 - b) to promote the status of the actuarial profession;
 - c) to regulate the practice by the members of the profession of actuary;
 - d) to promote, in the public interest, knowledge and research in all matters relevant to actuarial science and its application; and
 - e) to do all such other things as may be incidental or conducive to the above objects or any of them.
- 1.3 As a professional body, the Institute has the responsibility to ensure that its members carry out their professional work in a manner that will enhance the reputation of the profession and also increase appreciation by the public of both the quality and utility of the profession's work. As a part of fulfillment of this responsibility the 'Council' and the 'Board' have to issue from time to time guidelines to the 'members' and have to ensure that such guidelines are followed. The guidelines have necessarily to reflect a consensus among members on what would be considered as acceptable professional practice as an Actuary in the conduct of a member's work.
- 1.4 Whereas, it is important that the ability of a 'member' to use and exercise his professional discretion and judgment must not be unduly constrained, 'members' have to accept self-imposed discipline in the conduct of their work to ensure larger and long-term interests of the profession.

- 1.5 The issue of guidelines will necessarily have to be preceded by considerable exchange of information and views among ‘members’. This alone can ensure development of a consensus for a disciplined approach to professional work. It is natural that there will be several controversial issues on which it may be difficult to develop a consensus. However, such issues must not be evaded but faced boldly with guidelines referring to possible alternative approaches and leaving options to members subject to the member making full disclosure of the option selected.
- 1.6 Another issue which, needs to be debated is whether a GN or a part of the GN should be made mandatory. GNs which are made mandatory can be termed as “Practice Standards” and all members will be expected to adhere to such guidelines strictly. The non-compliance of a mandatory GN would result in disciplinary action against the member concerned. On the other hand, GNs which are not made mandatory can be termed as “Recommended Practice”. Such guidelines will be recommended practice for members to follow. However, a member will be at full freedom to deviate from the guidelines so long as any deviation from the guidelines is fully justified and explained in reporting.
- 1.7 India is heading towards increasing globalisation and the Institute is a member of the International Actuarial Association. It would be in the fitness of things if the Institute is in congruence with the recognised and generally accepted actuarial principles and practices of the leading actuarial bodies of the world.
- 1.8 The GNs once adopted, besides reflecting the above objectives, have necessarily to be based on the relevant body of knowledge, information and legislative requirement/s prevailing as on the date of issue of such GNs. Review of these GNs is, therefore, implied as and when the occasion demands.

2 Classification of guidance notes

2.1 Practice Standards

A material breach of a guidance note classified as a **Practice Standard** would in itself be a ground for complaint under disciplinary powers and would amount to a strong prima facie evidence of unprofessional conduct or professionally objectionable conduct. Such evidence could normally be set aside only if the member could show that in an actuarial advice given any departure considered appropriate from the strict compliance with any aspect of the Guidance Note had been disclosed and justified.

2.3 Recommended Practice

A failure to comply with the Guidance Note classified as Recommended Practice would not be itself a ground for complaint under the disciplinary powers. However, the Disciplinary Committee investigating a complaint for unprofessional or professionally objectionable conduct would take into account any such failures. Such failures would be regarded as more serious if they have not been disclosed and justified in the report.

3. Criteria for issuance of guidance notes

A guidance note in being introduced for practice has to meet the following criteria;

- 3.1 **It is consistent with public interest:** A guidance note, although addressed to members is intended for the protection of the public interest rather than for the protection of members, is aimed to be of assistance in understanding the full scope of their responsibilities.
- 3.2 **It is practicable to apply and a diligent and competent actuary is able to comply with it:** A guidance note that is difficult to apply and/or an actuary cannot comply with it in normal course of practice will be inappropriate.
- 3.3 **It is unambiguous and can be understood by members.**
- 3.4 **It constrains practice to an appropriate and reasonable extent only.**
- 3.5 **It is consistent with Professional Conduct Standards, as applicable at the time.**

4. Procedure

The following steps are to be followed for issuance of Guidance Notes.

- 4.1 The Advisory Group on Professional Affairs and Standards, Life Insurance, General Insurance, Pensions and Social Security and Health Insurance shall be responsible in their respective areas of concern for initiation of action and production of recommended drafts for the consideration of the Council.
- 4.2 The relevant Advisory Group will deliberate either suo moto or on receipt of a suggestion or on advice from the Council or Quality Review Board on a subject needing a GN to be issued or revised and, if decided to proceed, will then appoint a working group of at least two 'members' to prepare an appropriate draft.
- 4.3 The draft produced by the working group will be discussed within the Relevant Advisory Group (RAG) and updated, as appropriate, and sent by the RAG to the Advisory Group on Professional Affairs and Standards (AGPAS). The observations of the AGPAS will be sent to the Working Group, who will submit the draft GN, with any changes, to the RAG.
- 4.4 The RAG will consider the draft and with or without any modification, arrange for its circulation to all Fellow and Affiliate members as an exposure draft, inviting comments / suggestions within a time frame of 30 days. The RAG will also put up the draft GN on the Institute's website so as to welcome comments from any interested person from the public.
- 4.5 The Working Group originally appointed will consider all comments / suggestions received and prepare a revised draft for consideration.
- 4.6 The revised draft will be viewed again by AGPAS and thereafter by the RAG for coming up with a recommendation to the Council.

- 4.7 The Council will consider the recommendations received from the RAG and decide
- a) to issue the GN with or without modifications; or
 - b) not to issue the GN; or
 - c) to seek clarifications from RAG.

Where required as per law, or as decided appropriate to do so by the Council, the draft GN shall be sent to the Authority for consultation or concurrence, as the case may be.

- 4.8 If at any stage there is a perceived need for a legal advice on any aspects or any part of the draft Guidance Note, the same will be obtained and taken into account.
- 4.9 Where a GN is required to be in place on a fast track, the relevant Advisory Group will, with the suggested draft from the Working Group set up for the purpose and after obtaining the views of AGPAS, make a recommendation to the Council for issue of a “Fast Track Interim Guidance Note” what could be version intended at this stage as recommended practice. Following such issuance and not later than six months thereafter the relevant Advisory Group shall take necessary steps for issuance of a regular version of the GN to replace such Fast Track Interim Guidance Note and the standard procedure as laid down in this document will be followed from then on, mutatis mutandis, to have the fresh GN in place.
- 4.10 Any modification to an existing GN will have to go through the standard procedure laid down in this document.