

# Institute of Actuaries of India

## Professional Compliance Questionnaire (PCQ)

**Author:** Life Insurance Board (approved at its meeting held on 11 08 2004 and By the Executive Committee in its meeting held on 28 08 2004)

**Source or Authority:** Objectives of the “Checklist of Professional Compliance” Ver. 1.00/28 08 2004 issued by LIB

Version:	Effective From
1.00	28 08 2004
1.01	01 07 2011

**Subject of Compliance:** APS 1: Appointed Actuary and Life Insurance Business

### Introduction

The Executive Committee in terms of the powers vested in it under rules of the Society has put in place the above APS which is classified as Practice Standard, meaning thereby that a material breach of its provisions would of 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 APS had been disclosed and justified.

The APS 1 has been issued with the concurrence of IRDA and constitutes a “Professional Standard” within the meaning of regulation 2(e) of IRDA (Appointed Actuary) Regulations, 2000. This implies that this APS is a legislation subordinate to the Insurance Regulatory and Development Authority Act, 1999 and the Insurance Act, 1938 and thus the Appointed Actuary is subject to the provisions of these Acts and Regulations made thereunder. The Executive Committee would want to satisfy itself, to the extent that it is possible to do so, that the Appointed Actuaries are in strict compliance with this APS at all times and that to the extent it is not so, the same is made part of the actuarial report and justified. The Executive Committee would also want to satisfy itself as to the manner in which such compliance is actualized so as to ensure that the APS is strengthened if need be on continuing basis.

The Executive Committee has therefore advised the Life Insurance Board to monitor the compliance and set necessary procedures and processes for such objective to be achieved effectively. The Life Insurance Board within this authority delegated by the Executive Committee has issued a “checklist on Professional Compliance” relating to APS and further issues this Professional Compliance Questionnaire (PCQ). The LIB at its meeting held on 11 08 2004 has decided that this PCQ be mandatory to be filed by each Appointed Actuary whether currently working as appointed Actuary or has had worked as such earlier within a date as specified by the Secretary, LIB and that this exercise be one off. After having had the experience analyzed as a result of filing of this PCQ and subject to directions if any by the

Executive Committee, the LIB shall decide as to whether such PCQ with or without modification shall be required to be filled up on regular basis say annually.

It is clarified that the PCQ is a means for the LIB to have a higher level of satisfaction of compliance by the Appointed Actuaries and does not amount to certification that the Appointed Actuary has complied with all the provisions of the APS fully as in the nature of things such a judgmental process should rest with the Executive Committee and the judicial authority in India.

It is also clarified that this PCQ contains those elements of the APS 1 which are currently considered by LIB as key aspects to be monitored and there could be other aspects as well which the Appointed Actuary needs to comply.

### **Confidentiality**

The contents of this PCQ are confidential between LIB or any committee constituted by LIB or the Executive Committee and the Appointed Actuary and shall under no circumstances be used against him/her without his/her knowledge and due processes as prescribed within rules of the Society.

### **The Professional Compliance Questionnaire (PCQ)**

#### **A: The Appointed Actuary**

<b>Question No</b>	<b>Question and link to APS 1 or any other</b>	<b>Reply</b>
1	which are considered relevant to the APS as at its issuance date; 01 011 2001. Are there any other regulations which you consider relevant? State the regulation and its notification date. (link para APS 1 lists the IRDA regulations	
2	for proper discharge of your responsibility? If so please state the occasion and the advice taken. (link para 2.3 of APS 1) Did you have any occasion to seek advice of IAI	
3	Para 3.2 of APS1 provides for exceptional circumstances under which an Appointed Actuary can have recourse on a professional and formal basis to another actuary. Did you have any occasion/s to consult an actuary within the meaning of this para? If so, please state the occasion, describing details in brief and give name of such an Actuary and whether he/she was/.is a member of IAI? (link para 3.2 of APS1)	

4	Have all stipulations as specified under Regulation 3 (2) of the AA Regulations been complied with? If not, which one have not been and why? (link 3.3 of APS 1)	
5	Do you have an Appointment letter as Appointed Actuary in place over and above your appointment letter as an employee? If not, why? (link 3.4 of APS 1)	
6	Whom do you report to as Appointed Actuary in the Insurer's office? If not to the CEO, then state the designation of the official to whom you report. (link 3.5 of APS 1)	
7	Have your financial interests in the Insurance Company or the Group Companies by their nature and size have become such that material conflict of interest would in the normal course arise? (link 3.6 of APS1)	
8	Is your responsibility to the employer consistent with your responsibility to the profession and does that materially conflict with your statutory responsibility to the IRDA? (link 3.7 of APS 1)	
9	While carrying out your functions as Appointed Actuary, what other APS/s have been complied with? (link 3.8 of APS 1)	
10	Did you have any occasion to report to IRDA on a situation giving rise to conflict of interest? If so, please state briefly the nature of the reporting. (link 4.1 of APS 1)	
11	Are you ensuring that the reasonable expectations of the company's policyholders are met and if any significant change is likely, the company appreciates the implications of it on its policyholders' reasonable expectations? (link 4.2 of APS 1)	
12	State briefly the manner in which you have ensured that the new policyholders are not misled with regard to their expectations, i. e. in connection with illustrations at the point of sales? (link 4.3 of APS 1)	
13	While carrying out the statutory valuation of liabilities have you ensured consistency with methodology prescribed and the asset valuation done? (link 5.2 of APS 1)	

14	Have you ensured that the company has not made allocation of surplus before the Board of Directors of the comp any had considered your report containing your observations and recommendations on the subject? (link 5.3 of APS 1)	
15	Have you satisfied yourself that premium rates for new business are appropriate? If not, have you considered the company's ability in terms of capital requirement and informed the Board suitably in the matter? (link para 6.1 of APS 1)	
16	Have you ensured that the company has adequate resources to meet the new business strain and have indicated the volume of sales that could prudently be accepted or indicated the additional capital requirement for writing the sales number decided? (link para 6.3 of APS 1)	
17	Have you satisfied yourself that for linked business and unitized with profits business all the discretionary elements of unit pricing and fund charges applied are consistent with policyholders' reasonable expectations? (link para 6.4 of APS 1)	
18	Have you assessed the capital requirement using the cash flow approach? (link para 7.1 of APS 1)	

<p>19</p>	<p>In carrying out the actuarial investigation have you;</p> <p>I. Ensured that the data used is accurate?</p> <p>II. Ensured that the valuation method is appropriate for the policy contract concerned?</p> <p>III. When determining the liabilities, given due regard to the policyholders' reasonable expectations?</p> <p>IV. Ensured that the assumed value for each parameter is made up of expected level and margin on it for adverse deviation with expected level based on company experience/industry data and allowed margin for adverse deviation reflecting my confidence in the expected level and my perception about the extent of such deviation?</p> <p>V. Ensured that in determining the value of liabilities appropriate provision is made for future expenses and that this provision is at least equal to that required if the company were too close to new business twelve months after the valuation date?</p> <p>VI. Made an assessment of the nature of the company's investments and consideration of the rate of return in terms of both capital and income over the future life of the liabilities keeping in view the term of the assets and of the corresponding liabilities?</p> <p>VII. made due allowance for tax, taking into account the current and future taxation position of the company and that that is consistent with allowance for tax relief?</p> <p>VIII. judged whether the investment policy pursued by the company was appropriate for the nature and term of liabilities and, if not, provided for necessary additional reserve?</p> <p>IX. Ensured that suitable guidelines have been given to the investment manager in regard to the use of derivatives and monitoring procedure was in place to monitor the company's exposure to loss through their use?</p> <p>X. reviewed the reinsurance arrangement of the company and advised the company about the inadequacies, if any, in it and in that case the remedial measures necessary?</p> <p>And XI. Satisfied yourself that in the public interest, the margins in the valuation are in total adequate taking into account the risk profile of the company's business if the results of the valuation of liabilities, other than for statutory purposes, are to be published?</p> <p>(link para 8 of APS 1)</p>	
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20	Have you ensured that before allocation of surplus, the company has considered your advice and that the allocation was in compliance with the provisions of section 49 of the Insurance Act 1938 and the relevant IRDA Regulations? (link para 9.1 of APS 1)	
21	Have you taken into account the solvency position of the company in applying the standards, applying much more rigorous standards if there was any doubt about the company solvency, and have you ensured that the ratio of available solvency margin to the required solvency margin was as per the IRDA guidelines in that behalf ?	
22	Is insolvency, or intervention on the part of the IRDA, arisen from factors within the company control and, if so, have you suitably advised the company to remedy the situation and if it has arisen from the factors beyond the company control, have you taken the necessary steps and communicated the position to the IRDA in consultation with the Board of Directors of the company? (link para 10.2 of APS	
23	Have you appointed a Peer Reviewer as required under APS 4? If so, please state the Actuarial body of which he/she is a Fellow member and he/she is an Affiliate member of IAI.(link APS 4) confirm that, if not a FIAI,	

Name of the Appointed Actuary

Signature

Date