

Institute of Actuaries of India

Check List on Professional Compliance on APS 4

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Subject of Compliance: APS 4: Peer Review and the Appointed Actuary in Life Insurance

Introduction:

- **Duty to Public interest:** Professional guidance is issued by the professional bodies to guide the members of the profession in interpretation of the various legislative provisions in the interest of consumer protection in particular and in public interest in general. IAI requires its members to serve the cause of Public Interest vide para 2.1 of the Professional Conduct Standards (PCS) (ver. 2.00/27 05 2003) issued within in the meaning of rule 29 (l) of the rules of the Society. This duty to public interest is expected to have been served if the PCS and applicable Guidance Notes issued by IAI are fully complied with.
- **Nature of APS:** In Life Insurance the Appointed Actuaries are required to interpret the provisions of the Insurance Act, 1938, Insurance Rules, 1939 and the IRDA Regulations assisted by the APS these APSs are issued in “concurrence” with IRDA as required under some of the IRDA regulations and other APSs are issued in consultation with IRDA. The ones issued in concurrence with IRDA have the force of being a subordinate legislation and the other APSs are extension of PCS. All APSs are expected to be fully complied with and non-compliance of one or more aspect is expected to lead to disciplinary action which may mean cancellation of CoP and other penalties as per rules of the Society, besides the non-compliance of APSs issued in concurrence with IRDA may mean action by IRDA over and above action by IAI.
- **Objectives of this Checklist:** This checklist has been prepared so as to assist Appointed Actuaries and other Actuaries to whom such APSs are applicable, in self-evaluating for compliance and be of assistance to IAI to monitor compliance with the applicable APSs, through Life Insurance Board. The Appointed Actuary and other

actuary such as Peer Reviewer may be required to file a compliance questionnaire with Life Insurance Board of IAI and the Appointed Actuary may also be required to produce evidence of its compliance to the Peer Reviewer. The implied interpretation of the APS to which this Checklist applies and the illustrative examples (*in bold italics*) as to how various provisions of the applicable APS can be complied with is that of the Life Insurance Board. It is emphasized that ultimate interpretation and the manner in which the applicable can be complied with shall in the nature of things rests with the Executive Committee and the judicial authority in India.

Actuarial Practice Standard (APS) 4: Peer Review and the Appointed Actuary in Life Insurance

Introduction

The objective of the peer review is to lead to an opinion by the reviewing actuary (the peer reviewer) that the work of the AA is in conformity with generally accepted actuarial practice. Specifically this means that the requirements of Professional Conduct Standards, relevant APS and regulatory requirements of IRDA have been fulfilled. Completion of the Peer Review to a high standard will help to demonstrate IAI's commitment to act in the public interest.

The Appointed Actuary should follow the Peer Review Handbook and must decide well in advance the appointment of the Peer Reviewer, whether internal or external.

Method of operation of Peer review

The precise form of operation will vary from case to case, and the Appointed Actuary jointly with the Peer Reviewer are responsible for making sure that appropriate review methodology has been used.

The peer review should cover all relevant and significant aspects of the actuarial work, including data collection and verification, selection of assumptions, selection of analytical method(s), calculations, results and conclusions. Nevertheless, the peer review is intended to be of high level, and so, for example the review of the calculations could be confined to reviewing the results for reasonableness rather than carrying out specific checks.

It is not necessary that the author and the peer reviewer should necessarily meet face to face. It is required that the author and the peer reviewer should discuss the work in appropriate depth, and that these discussions should be documented in sufficient detail to demonstrate that a professional and formal peer review has taken place.

The peer review process will often be spread over a period of time, in which case the requirements described above will apply to each element of the peer review. It is generally

recommended that, unless there are specific reasons for doing otherwise, the same individual should be the peer reviewer for all elements of the review.

External peer review

In certain circumstances the Appointed Actuary may determine that it is appropriate to arrange an external peer review. This may happen where the insurance company may not have an appropriate peer reviewer, or where such an individual is not available at the time required, or for other reasons. In these circumstances the Appointed Actuary should arrange the scope of the external review to meet the standards set out in the preceding section covering internal peer review.

Discretion

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 relevant IAI Actuarial Practice Standards, and describing the nature of work reviewed.

It is expected that differences if any, between the view-point of the Appointed Actuary and the peer reviewer should be resolved before the Appointed Actuary makes his or her report final. 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 is confidential between the peer reviewer and the Appointed Actuary and therefore it is not normally expected the Peer Review Report to be sent to IRDA along with the Appointed Actuary's Report. However, for the reasons to be specified, the IRDA under specific circumstances may make a demand on the Appointed Actuary to make the Peer Review Report to be available to it and the Appointed Actuary shall comply with such a demand.

The Appointed Actuary retains entire responsibility for his or her work in compliance with IRDA (Appointed Actuary) Regulations, 2000 and in conformity with the provisions of the Professional Conduct Standards and Actuarial Practice Standards of the Institute of Actuaries of India. 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. Appointed Actuaries are therefore advised to use their discretion in this area with care.

The above are requirements on the Peer Reviewer and the Appointed Actuary should discuss with the Peer Reviewer as how these are planned to be fulfilled by him/her.