

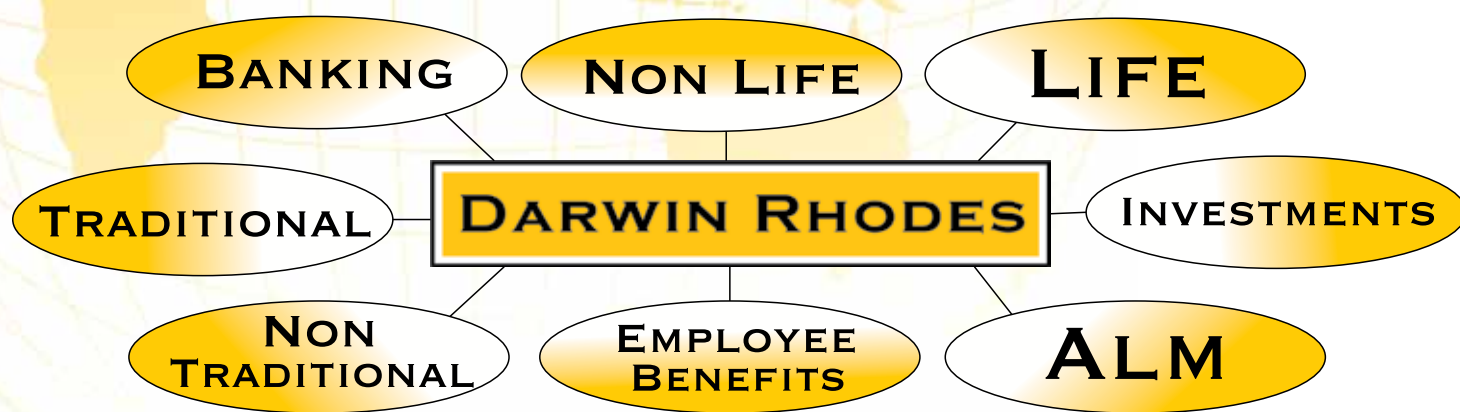
# Celebrations

## 2012 Actuarial Gala Function and Awards (2012 AGFA)



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# FROM THE CHIEF EDITOR

It has recently been reported in the media that the IRDA has a number concerns about some of the new product designs that the life insurance companies have been filing with the Regulator.

The Chairman of the IRDA has written a letter to the Life Insurance Council suggesting that some product features were not in the best interests of policyholders. According to the press reports the letter made a number of specific proposals and invited comments from the Life Insurance Council and its members.



This letter can be seen as the next logical step after the IRDA recently issued an exposure draft on the need for distributors to conduct an analysis of each policyholder's needs before recommending a particular type of policy to the policyholder.

The life insurance industry has many stakeholders, which include the Government, the IRDA, policyholders, the life companies, all the different distributors, the employees of life companies, the appointed actuaries and the actuarial profession. The active and wholehearted participation of all these stakeholders is required for the industry to succeed.

It is true of the life industry, as it is true of all industries, that for the industry to succeed then the industry must create and offer products and services that give some value to each of its stakeholders. So this IRDA initiative on product design will have a major impact on the success of the industry.

The last few years have been difficult for the life industry, and so at this time it is particularly important that these two IRDA initiatives on product design and analyses of policyholders' needs are successful in promoting the life industry.

Given the importance of these initiatives, I hope that the Chairman of the IRDA and the Life Insurance Council members will not take it amiss if I suggest that the consultation process should be as wide as possible and it should encompass all the industry's stakeholders.

Each of the stakeholders will bring to the table their own different and unique perspectives. I believe that by taking into account all of these viewpoints the IRDA will be able to come up with a set of guidelines that gives the industry the boost that it currently needs.

**Nick Taket**

## DRAFT VISION, MISSION AND VALUES STATEMENTS of IAI

### VISION:

IAI to be a globally well recognized professional organization developing enduring thought leadership in managing uncertainty of future financial outcomes.

### Mission:

1. To educate/train risk professionals
2. To enhance and maintain high professional standards
3. To shape Public Policy and Awareness
4. To engage with other professional/regulatory/government bodies
5. To promote/build IAI as a respected brand of risk management globally
6. To promote research to advance actuarial science/application

### VALUES

1. Integrity
2. Respect for other's views
3. Accountability
4. Continuing Learning/Research Oriented
5. Transparency
6. Be Responsive/Sensitive

*When you do the common things in life in an uncommon way,  
you will command the attention of the world."*

*- George Washington Carver (1864-1943)*

## INTRODUCTORY ADDRESS

By Liyaquat Khan

**14<sup>th</sup> GCA, 20<sup>th</sup> – 21<sup>st</sup> February, 2012**

**INTRODUCTORY ADDRESS BY PRESIDENT, LIYAQUAT KHAN DURING THE INAUGURAL FUNCTION ON 20<sup>TH</sup> FEBRUARY**

(Note: the text herein is the excerpts from the speech edited suitably – highlights, bolds and circular space are editorial)

**F**riends, welcome all of you. I will take a few minutes in running through the landscape that we have and **why** of this Global Conference of Actuaries, the way it is.

I have been associated with the Indian Actuarial Profession right from the time, things starting evolving, that is 1999, when the insurance regulator was just formed, IRA (as IRDA was then called) came into being, and when I became President for the first time in the year 2000. A lot has happened since then. The event that you are witnessing today had just started, under the banner of Actuarial Society of India (the predecessor body to the Institute of Actuaries of India), not by the Actuarial Profession but by the then Insurance Regulator, IRA lead my Mr. N Rangachari. The first two were called, International Conference of Actuaries, and it started with a noble objective that the then Regulator had i.e. enabling a global dialogue and discussion, on all the regulatory matters and all the aspects of insurance business that are driven by actuarial considerations. He wanted a global dialogue - a lot of people used to come, and at that point in time, he felt that this event should take place along with some industry body, mainly because the then Actuarial Society of India did not have then enough experience in handling such an event on its own and thus came the partnership with FICCI in New Delhi.

The third event in February 2001, the time when I became President of the Actuarial Society of India, was named as Global Conference of Actuaries and called 3<sup>rd</sup> Global Conference of Actuaries and consequently the first two were renamed accordingly.

At that point in time, we had all public sector insurers, and we were expecting more to come...many more to come in the private sector.

What is it we have now?

### The insurance landscape- then and now

**Number 1** - Today India has insurance sector wherein the globe sits in: just about all the joint ventures, particularly on the life side, and most on the general insurers side are joint venture and the joint venture partners are global giants, consequently it is the global mindset of the insurance industry that sits within India.

**Number 2** - In the last 10 years, which was not expected then, what has developed, what I call off shored actuarial work - nearly about 1,000 actuarial staff work within India on actuarial functions that do not belong to India, that belong to the North Americas, the Continent, and different other countries. Given that we have such relatively large actuarial human resources working for off shored actuarial work in life, non-life, pensions

and other, means the actuarial space in India is multi dimensional

Now that is the reality that has changed the whole perspective from actuarial stand point.

**Number 3:** The Consultancies were beginning then, they are stronger now, and they are global in nature. The consulting capabilities are global requiring actuarial human resources with global skills.

**Number 4:** The actuarial professional bodies that operate in India for educating actuaries, besides the Institute of Actuaries of India are the Casualty Actuarial Society in US, the Society of Actuaries in the US and the UK actuarial Profession called Institute and Faculty of Actuaries. The largest block of students of the UK Actuarial professions outside UK are in India, currently about 2,500.

So we have global insurance industry right within India, the global reinsurer's right within India, the global consultancies right within India. Consequently the expectations of all actuarial employers including the insurance regulator on the capabilities and skills required of the actuarial pool within India are global.

In the background of the above, the regulator in my view, regulates insurance industry which is not typically Indian, but global in many ways. Therefore the issues are global as well.

What this entire means to us in the actuarial profession? The actuarial profession in India has to prepare actuaries who possess global mindset, they ought to meet global expectations of the global employers, and they need to have secularity of thoughts, authenticity of views, and ethical standards that meet global benchmarks, whatever that may be.

### Structure of the actuarial profession and systemic risks within

We have now Institute of Actuaries of India, which, since year 2006 is a body under Act of Parliament, called Actuaries Act, 2006. Prior to that, we had Actuarial Society of India, started in 1944, and much later, became a body under Societies Registration Act and Bombay Trust Act. Once the Actuaries Act, 2006 came into being the affairs of the Actuarial Society of India were moved over, if-so-facto, to the Institute of Actuaries of India. One transferred to the other one, but certain aspects of the professional structure got changed. We have, as per law, four government appointees as members of the council and twelve are elected amongst the fellow members of the Institute. The reality, however, is: as of today we have only one from the Government in the Ministry of Finance and the first nominee from the IRDA who retired on 1<sup>st</sup> June, 2011, is not yet replaced. The Act provides that the government shall appoint 4 nominees in the council, one from ministry of finance, one from the IRDA and two others. So, that's the reality today. In this backdrop, it is very important to understand the role of the actuarial profession and the expectations on it.

Doesn't matter what limitations it has, the profession has to deliver.

The structure within which it has to function has limitations and according to me there are serious structural limitations embedding issues of conflict of interest within. The nodal ministry is the Ministry of finance, unlike in case of other three professional bodies where the nodal ministry is the ministry of Corporate Affairs. The government of

India in the Ministry of Finance owns as many as eight insurance entities and they occupy dominating space in the insurance field within India. The same structure allows the owner of these companies i.e. the Ministry of Finance, to have their nominee on the Board of IRDA, the Board of Government owned Insurance Companies and on the Council of the Institute. Given the system of Appointed Actuary, this enables huge conflict of interest to exist within the system.

What does this mean?

### Essence of actuarial work

I look upon it as an opportunity to develop actuaries with a flavor in which, they develop a mindset of non-competitiveness: "I am a member of the Institute of Actuaries of India, I am better, and that's the best in the world". No. Given that we have global kind of a landscape of actuarial work then members of different actuarial bodies work within India, there will have to be a multi-dimensional approach so as to develop a milieu in which, the actuarial students are prepared to take and meet expectations at the global level. They don't develop self-serving attitude but inculcate all inclusive and respect for all actuarial bodies. This is required for the actuarial profession globally particularly when the actuarial profession is more global than any other profession. It is a science based on theory and philosophy of the subject of probability. The applications of actuarial science are based on the purity of mathematics, reality of statistics - numbers that get generated as things happen. And that is all futuristic.

The work that actuaries do, even at the student level affects the life of the people and economy of the nations much more than what is realized. The affected people and the political class who manage the nation do not know as much as they should on whose actions the results have happened i. e. the actuaries. Many of the actuarial staff work in and for the pension institutions and the protection of the pension rights - the money is available when needed - is based on the actuarial work that is

done. Unfortunately there is no direct connect between the actuary and the beneficiary of pension rights.

The bedrock of any industry and the economy of any nation is really the general insurance industry. It stabilizes the industry and strengthens the economy. The life insurance industry creates wealth and generates basic financial resources that provide a person with respect and dignity to live life when one has ceased to be economically productive. The life insurance industry is, as a friend of mine puts it "bread and butter business". I would like to call it, in the Indian context, the bread business only. Many Indians cannot afford butter even now! So, in that context, the actuarial human resources that we are in the business of creating, besides having multi-dimensional skills and global mindset, should have an attitude to be down-to-earth and possess ethics that drives them to work for protection of policy holder security and larger societal interest. In this context it's helpful and in some way desirable that actuarial human resources in India are members of and connected with more than one major actuarial professional bodies that are in the business of actuarial education in India - the ones that I have mentioned before. This will help them to develop right attitude, expose to issues in ethics at global level and lead them to inculcate mindset and the ability to meet global expectation. This will also place them at somewhat stronger footing from ethical perspective.

### Vision, Mission and Values

The ethics and integrity is what we have been working rather hard on for at least in the last about one and a half year. With a view to understanding concepts such as these and arriving at our Mission, Vision and Values statements, we engaged two strategy consultants in December 2010. They lead us through intensive exercises spread over three months to come up with one common understanding of Mission, Vision and Values that the Indian actuarial profession should have. This was somewhat challenging: there being about 80 to 90 people at all times, most of them at very senior

level, CEO's, Appointed Actuaries, CFO's, senior Consultants and others who work for the Institute as volunteers. These leaders of the profession have to be on-the-same page: What do we want the profession to be in 5, 10, 15, 20 and even 50 years, down the line? What are we doing today, are there any flaws to put them at the same level of the challenges that we have met. We did succeed in some measure, though probably not in full. We have come out with a set of statements for Vision, Mission and Values – the guiding stars to march forward. The backdrop of that is what I have said before – the globalism of the Indian insurance space. I also mentioned that as many as eight insurance entities are government owned still. They occupy the largest space whether it is life, non-life, health or pensions including assets that these hold. There is no requirement of capital at all as far as the Government owned life insurance entity is concerned.

Given the above backdrop let us understand the space in which the Institute of Actuaries of India sits in. The Institute created in year 2006, taking over the then existing (since 1944) the Actuarial Society of India, has the nodal point of contact in the Government the Ministry of Finance who own for the Government, the eight insurance companies – the Ministry has as many Directors serving on the Board of these companies. Same Ministry of Finance has right to appoint four Government nominees on the Council of the Institute and the same Ministry nominee sits on the Board of the IRDA. This structure that has developed, in my understanding, is the legacy of the past. Years and years of total controlled economy, that India had – public sector oriented – which our political leaders then thought that was the best that should happen. As time passed and consequences of such political philosophy brought to bear upon the nation, it was realized that, that was maybe not the best thing that

should have happened. Since early nineties, as a consequence of change in political thinking, the nation started what is called economic reforms or liberalization, two words for the same thing. The people who give shape to this and implement the policy are “the steel frame”, of the Government - the bureaucracy. Have they changed their mindset, exceptions apart? To some extent yes, but only to some extent. Are they able to adjust to the structure that is required, to ensure that role boundaries of the regulator, role boundaries of the government functionaries, role boundaries of the profession and the role boundaries of the industry, are correctly understood and respected? Not really at least in my view.

### Conflict of interests and sinister risks

I see a huge risk – sinister ones to the insurance and pension including social security system of the nation, when the same ministry officials sit as council members of the actuarial profession, same people sitting in the authority of the insurance regulator, and the same people sitting as directors of these eight entities.

So we have challenges, we are facing it and with right minded people working together are sure to come out of it. After all, the economic reforms or liberalization came about in spite of this inertia legacy. However the reality is that the very notion of conflict of interest appears to be living in hibernation as far as the regularity space of the Insurance industry is concerned.

My issue is not that we don't have challenges, my issue is that the structure that has evolved, need to be re looked at. The role boundaries have to be understood and defined clearly, and the transgression across those role boundaries should be minimal, if not totally eliminated. Having said this, we have to take steps to ensure that the

actuarial profession works successfully towards protection of the insuring public rights. The umbilical cord between the regulator and the actuarial profession - Appointed Actuary system – should work effectively and without being stressed by the Government.

The professional support to ensure a top class pool of current and potential Appointed Actuaries and ethical values around their work must be proven and demonstrative. And the role of Appointed Actuary has to be much more extensive than what it is now. I see a huge risk to delivery capabilities of the Appointed Actuary System if within the Insurance Company adequate actuarial manpower does not exist. Many of the Insurance Companies particularly the ones in the Public Sector domain are un-inclined to recruit the actuarial resources in spite of the fact that at least at student level there is over supply.

Talking about the insurance industry and the stakeholders such as Joint Venture partners, Reinsurers and the Consultancies, in order for them to be interested in India, we have to generate enough volume of business for them to be interested in and invest in resources. On this count there are concerns. The actuarial profession has a role in understanding these concerns. That means there has to be a dialogue on continuing basis between all the stakeholders, respecting respective roles within their respective boundaries, and yet, transacting across the boundaries. Important to ensure by all the stakeholders that no one boundary takes over the other and each perform roles within respective boundaries including the Government. Transactions must take place in a healthy way and no one dominates the other.

Well friends, thank you very much, I welcome all of you to the 14<sup>th</sup> GCA. You have two days of opportunity to make best out of your participation.



The highest courage is to dare to be yourself in the face of adversity. Choosing right over wrong, ethic over convenience, and truth over popularity ... these are choices that measure your life. Travel the path of integrity without looking back, for there is never a wrong time to do the right thing.

*Submitted by Michael Moore*



## KEYNOTE ADDRESS

By J. Hari Narayan

### 14TH GCA INAUGURAL FUNCTION, 20TH FEBRUARY, 2012

#### KEYNOTE ADDRESS BY J. HARI NARAYAN, CHAIRPERSON- IRDA

[Note: insertions within parenthesis, highlights or boxes are editorial]

**M**r. Amit Punchhi, Mr. Liyaquat Khan, President of the Institute of Actuaries of India on whose shoulders this entire event rest, Mr. Allan O'Bryant, Executive Vice President of RGA, Mr. Desmond Smith, President of the International Actuarial Association, Mr. Heerak Basu, Secretary of the IAI Advisory Group on International Relations and ladies and gentlemen..... it is a deep pleasure this morning to be here at the 14<sup>th</sup> Global Conference of Actuaries.

#### The IRDA identity?

Standing here at this desk, I can see all of you; Actuaries from across the world and budding Actuaries of India. When I say I see all of you, I can see you despite the glaring lamps which prevent me from seeing you very clearly. This may be seen as a parable of the IRDA also; that is as an institution we do not see clearly what we are required to see because of distractions. But despite the distractions, the question is what is it that the IRDA must be focusing on from a Regulator's perspective? That has been clearly answered by the Parliament which has laid down that the IRDA must primarily look at the welfare of the policyholders and thereafter the growth of the industry. It has been the endeavour of the IRDA to do precisely this since it was constituted and it will continue to do so.

Thank you .... someone who was listening to me has reduced the lights. Thank you. Coming back I really like this theme

which you have chosen for the 14<sup>th</sup> GCA, that is, the 'Challenges of Change'. And ladies and gentlemen there is no question that we are right now in the midst of very important changes which will affect every aspect of the business we are in. These changes could affect the design of products as well with other aspects of the business which are subject to regulatory control. The changes will certainly be there. But in this actuaries' global meeting, I think I would like to dwell a little bit on the actuaries' institution in India.

#### The actuarial strengths and weaknesses!

As we see from the IRDA perspective we do have certain constraints in meeting the demands for actuaries in the insurance industry in India. And I am sure under the able leadership of Mr. Khan and the other members of the Institute you have striven to develop and fill this gap. But I think more needs to be done and perhaps in a different dimension; there are no doubt a growing number of actuaries in India; we saw excellent bright young people last evening [during 2012 Actuarial Gala Function and Awards event] who are indeed the future of the profession, none the less they will take time to mature like a good wine....but I think we need to grow a little faster. I just wanted to inform Mr. Khan that we are fully aware of the situation within the actuarial profession in India and within the legal structure of Institute of Actuaries of India and regulations of the IRDA which requires

it to recognize the actuaries to serve in the country even if they might not be the members of the Institute of Actuaries of India. There are specific provisions in the laws which permits this and in fact, it was use of these provisions that my senior colleague Mr. N Rangachari, the first IRDA Chairman, when the establishment of the IRDA and the opening of the insurance industry took place, had made use of to provide a large number of actuaries who were qualified and eminent in their own fields but in different domains and different jurisdictions and providing them an opportunity to work with and to build and partner with the Indian Insurance Industry. I would think the time is right even today to do similarly in the case of non-life actuaries and I would like to make use of this forum to say that indeed I have every intention to push this a little forward. Because we need to increase the number actuaries in terms of their experience, exposure and age...which we believe the insurance industry will have more and more demand for as the years go by.

I notice that in the program that you have....you have crafted for discussing changes and many aspects of it which are to be discussed by all of you here over the next 2 days and I would like to make use of this privileged position which the Institute has kindly offered me as a platform to talk about the challenges that we face in the IRDA or the perspective I would bring to your deliberations which would certainly help us settling the regulatory space. So I will just follow exactly the program which you have set out for yourselves.

The first one which I believe we would be discussing would be question on intermediation and I think that's a very, very important matter - in fact I read an article the other day which says the bulk of the financial crisis which engulfed the world is really because of intermediation....something has gone wrong with the whole process of intermediation in the entire world.... various types of monitory transformations and the licenses of different types which were offered in that particular structure. But if you look at it more mundanely in India when we are having a look at intermediation and from an emerging market's point of view, we have to look at basically what we are going to do with the agency, the agency distribution channel and in what way it can be strengthened, widened, rebuilt, made more productive and the other two channels which we have through formal intermediation that is the bank insurance channels and the broking channel. The fourth one is of course the direct marketing channel where I am sure the industry has far better knowledge than I do. But in all these four aspects there are areas for regulatory concern which we do wish to address.

### **The intermediation – defining the business game globally**

**Firstly, on the agency:** we believe that the agency system is here to stay and unlike in some other countries agency force and agency distribution is not likely to weaken as we go into the immediate future and I think that is a good thing because given the scale and the types of markets India has and its breadth in terms of the number of points which are to be covered in terms of geography and the kind of problems there are in terms of communication, the agency force is indeed an important one. There has been some shrinkage in the agency force recently from a little less than 3 million to a little over 2 million over the past years... but I think we need to look at in what way we can re-craft this. Is it advisable for instance, to go in for a multi tier agency system? It is one of the burning questions we are facing.

**On the bank insurance side** currently in India we have a system where there is a bank in tie-up with one insurance company in its choice of field...either life

or non-life or health. The question is, has this to be opened up to enable greater participation? I do think banks offer a significant platform for distribution of products but how exactly we make use of this, we have to be careful and we need to learn from the experience in other jurisdictions. The curious thing about bank insurance is that there are practically as many patterns and forms of bank assurances, as there are jurisdictions, so nothing really constrains us and it is up to the Indian regulations and to the Indian industry to develop our own pattern which will suit the kind of structure we have in the Indian space. The IRDA has opened this up for discussion and debate; certain ideas are there which we have spelt out in the exposure draft for the kind of regulation we would like to bring in and I think that's the area which we are currently expecting comments.

**The third area is the broking channel:** in the broking channel we are considering whether there is merit in enabling far greater penetration of brokers by a different structure of licensing in the brokerage system. I would like some deliberation on this and discussions. This is an area where we are very keen to garner knowledge from experiences from rest of the world.

### **The Reinsurance – rules of the playground**

**The other section,** which you are going to discuss in the next few days is **the Enterprise Risk assessment** and approach. In India we don't have a risk based approach though the government and the regulator feel that we ought to be moving in this direction. The Reserve Bank of India has already made it clear they would be moving to a risk based approach for assessing solvency and strengthen the financial structure of the banking system. And without any doubt the Indian financial sector as I know would be moving towards the risk based assessment soon. The exact time lines are a bit hazy at the moment but I think a target around 2016 – 17 might not be unreachable. In India, as all of you are aware, we really don't have a defined approach to this. For instance, the risk of all asset class is zero; that is the regulations assume that there is no risk in any asset class in the Indian economy as per the pattern of

regulations which we follow. Now, quite obviously that is far from the truth and doesn't reflect the actuality very well. The solvency requirement which we have required at 150% is because we have not really gone into the analysis of what kind of risk an asset class bears. If that could be correctly captured and factored then it is possible that 150% which is the overall requirement may come down. But that's a work still in progress and there is something which I would request the actuaries institute to conduct an exercise in what might be the appropriate method to assess the risk inherent in the different asset classes in the Indian economy. And what might be the mechanism which we have to put into place to ensure these risks are suitably calibrated to the changing markets and the changing environments as we go along.

With regards to the actuaries education in business leadership as I have been pointing out, we might be compelled to take steps to ensure the steady supply of actuarial talent for the industry.

### **The risks of business and Solvency**

**On the reinsurance** side which is scheduled as Session 4, we have brought in regulations pertaining to the broad requirement of rating which a reinsurance agency must possess to operate in India. And that's very, very broad. But going forward we will be coming out with a registration mechanism, a system which has been put into place but that is something which I think one should take a note of and I am sure in the years to come this will give an angle to the needs of the industry and to the needs to regulate the entire reinsurance process. But at the present moment it is only the registration mechanism which has been sought to be put into place. One other intervention which we are working on is the introduction of a **platform based trading for reinsurance**. A lot of work has been done on that; considerable work has been done by the General Insurance Corporation of India [GIC Re]. Based on that experience we have been working on what we call ETASS (Electronic Transactions Administration and Settlement System) for reinsurance transactions and we do hope that in course of time all reinsurance transactions will take place on this platform. A lot of discussions are

going on, designs are there, detailed discussions have been held with broking firms and insurance companies and also reinsurance companies and this will deepen as we go along and I think currently in the reinsurance space these are the two areas which the regulator's offices will be looking at and be working on.

### The Micro insurance – which way to go?

Coming to micro insurance and micro finance there is not much work at the present moment going on in terms of the regulatory architecture apart from what has already been defined in our regulations. By and large in India what we have defined micro insurance based upon the claim outgo which a given event might require. I think there are some inherent problems in such a definition and I would like to understand and learn... and learn from all of you what might be a better way to go forward. What we really do see is these two things..... On one side we have a claim outgo based definition of micro insurance, on the other side in the Indian law there is a requirement to meet certain social and rural obligations by the enactment. A certain proportion of policies sold or lives covered has to

be by law serviced to meet the needs of the poorer sections of the society and in India we define them in two ways.... one is rural....anybody in the area which is classified as rural by the census of India and the other is social which is really an income based, occupation based kind of sub stratification but the products have to be sold to their targets. By and large insurance industry meets these targets; there have been a very few slipups but not very, very significant. The industry has been very responsible in meeting the targets as laid down by the act. But the question really arises whether the objectives of these insurances are actually being met. Have they actually provided the kind of lifeline, the kind of life support which we believe insurance promises particularly for the poorer section? I don't believe that has happened. When I have a look at the claim ratios of these policies they are surprisingly low; they are much lower than a similar class of events covered on a platform which is not micro insurance. So I conclude from that...that there is some kind of miscommunication, mismatch as between the insurance companies and the policy holders who stand to benefit from such policies. I am convinced that this is one of the fundamental problems of the micro insurance platform in India. There is not adequate communication; there is not enough long term commitment from distributors, manufacturers from one side and the policy holder on the other. Is that the area where a regulatory intervention is called for? It is a question which we need to debate on and there are various matters which we are looking at in that context. We have yet not come to any firm conclusion on it but that is a concern and a primary one.

### The health of the Health Care Insurance

I noticed also that there is a section on health care insurance which has been programmed some time tomorrow. The current concerns on health care as far as regulatory perspective is concerned, is what we do about managing the cost in health care. As a beginning to address that problem, the IRDA has created a platform for mutual discussions as between the service providers and the insurance companies and that forum

I expect will be in place in a month and will start of their activities soon. Perhaps that might enable a focused discussion and dialogues between these two fundamental groups. One weakness in the health care setup in India is that there is no unified regulatory apparatus on health...by law, it isn't there yet. Several bodies have recommended this for the consideration of the Government and I am sure the Ministry of Health is looking at it but at the moment that is not there. In the absence of such a body we do hope that the health forum would be a useful step in bringing about a platform where these issues can be mutually discussed. Some concerns which we have immediately is how do we cover HIV and handicapped persons? Do we do it at all? This is important because this particular issue has also been taken up by the Supreme Court of India on public interest litigation. The IRDA had issued an exposure draft for the consideration of the industry; we are awaiting their response and we need to do something constructive in this direction.

There are issues about the elderly and the aged persons; The IRDA had occasion a couple of years ago to intervene by requiring the provision of cover with renewability up to a certain age except for justifiable reasons and by and large insurance companies have fallen in line with such an approach but the question arises whether we should expand that further, whether we should make it necessary for insurance companies to cover it for life; is that the way forward? Does it require a regulatory intervention or do you think the market and the good sense of the insurance industry will take it that way?

These are some of the questions relating to Health faced by IRDA.

### Sharing thoughts is the KEY

Mr. Khan, thank you again for providing me this opportunity to be amongst all of you and share my thoughts on number of issues that have potential of lifting the insurance industry to a higher pedestal and march forward.



## 2012 ACTUARIAL GALA FUNCTION AND AWARDS (2012 AGFA)

by Avdhesh Gupta

### The 2012 Actuarial Gala Function and Awards

organized by Institute of Actuaries of India (IAI) in collaboration with Munich Re was held at the Renaissance Convention Center, Mumbai on 19 Feb 2012, an evening prior to the first day of 14<sup>th</sup> GCA. It turned out to be grand visual delight. It began with an opening speech by Liyaquat Khan, President of IAI. He briefed the audience about the history of GCA and the way it has evolved over time from being an International conference to a more Global conference which attracts speakers and participants from all over the globe. He mentioned about the recent developments in India with regards to the off-shore actuarial work from various parts of the world such as US, UK, Canada, Europe and Australia. These entities, including the regulators, expect Indian Actuaries and particularly actuarial students to exhibit global standards and high ethical principles. He also briefed about the new strategy initiatives taken by the Institute of Actuaries of India including its vision, mission and values. He further talked about IAI's much awaited ambitious ACET initiative aimed to build a new credible and ethical system which in the long run will produce a brand of actuaries which aptly fit in the continuously evolving environment and meet the global standards which many employers currently look for.

Munich Re was the prime Partner for the evening and they conducted a session which was chaired by David Hughes, CEO of Munich Re India Services. Andrew Rear, Chief Executive of Africa, Asia Pacific, UK and Ireland made a presentation about the Insurance potential in emerging markets particularly in India. He pointed out interesting reasons as to

why one should be positive about the insurance growth in India even though currently there are barriers to increase the protection products' sale. Munich Re also organized a quiz of 6 questions from which a lucky winner was randomly chosen and awarded an Apple iPad.

It was followed by felicitation of Fellows and Associates admitted in the Year 2011. Awards were also given to actuarial students for academic excellence in year 2011. During the award ceremony, audio video (AV) featuring family members' of the awarded Fellows was shown. It proved to be an instant success with the audience and they expressed their appreciation with frequent rounds of cheer and clapping. The video aptly reflected the emotions that families go through during the whole examination process leading to qualification and how they feel equally elated and proud when their family member gets the coveted Fellowship of the Institute.

A trend of cultural performances which started last year continued during the 14th GCA. Diwakar and Sonia winner of 'India's Got Talent 2010' held the audience spell bound with the phenomenal acrobatics in their performances. Their dance style was 'Acrozeal'. Mumbai actuarial students gave a folk dance performance with 'Rain' being its theme. Their graceful synchronized act enthralled the viewers. Delhi participants also performed a dance depicting Modern India with a mix of folk and contemporary art forms. Bangalore students presented an amusing skit, which depicted the typical problems faced by young actuarial students. Last but not the least; the IAI staff performed a vibrant, colorful, foot stamping tribal dance form of Rajasthan called 'Kalbelia'. This dance form is performed by the

'Kalbelia' tribes to celebrate any joyful moment in the community, it being an integral part of their culture. It perfectly reflected the mood of the evening.

All the cultural performances were greatly appreciated and applauded by the audience. But as there can be only one winner, the spectacular display of talent by the Mumbai group led them to victory.

Another very noble trend which was started last year was continued at the 14th GCA too; awarding the students from the three NGOs of Mumbai: Muktangam, Salaam Balak Trust and Door Step. Prof. Fatta Bahadur, Chairman Nepal Insurance Regulatory Authority and Desmond Kentsmith, President International Actuarial Association gave away prizes comprising of books & wrist watches to the winners of a slogan writing competition.

This year, many participants were surprised to see seven paintings on display during the event. These paintings were made by members of actuarial profession and were part of an event called 'Art-e-actuary'. This competition was organized to showcase the 'arty' side of actuaries.

To sum up the Actuarial Gala Function and Awards night concluded on a very successful note.

### About the Author



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The 14th Global Conference of Actuaries, held from 19th Feb to 21st Feb 2012 at Renaissance Convention Center, Mumbai was organized by Institute of Actuaries of India (IAI) in collaboration with International Actuarial Association (IAA). The conference attracted more than 600 illustrious and eminent global speakers from all the areas of actuarial discipline and was well attended by actuaries all over the globe. The theme of the conference "Meeting the Challenges of Change" was an award winning entry of Amrita Kaur.

**J. Hari Narayan, Chairperson, Insurance Regulatory and Development Authority** delivered the key note address on the first day, 20<sup>th</sup> February 2012, which was followed by **Global Round Table** and **Plenary Sessions**. This was followed by **Concurrent Sessions** on the second day, 21<sup>st</sup> February 2012 under the various actuarial practice areas. More information on the presentations can be downloaded from the Institute of Actuaries of India professional **website** <http://www.actuariesindia.org>.

## PLENARY SESSIONS

by Avdhesh Gupta

### Session 1 – Inaugural session

The first session was chaired by Amit Punchhi who welcomed presenters and participants to the



Amit Punchhi

14<sup>th</sup> GCA. The Keynote Address was delivered by J Hari Narayan, Chairperson IRDA. He began by stating that the protection of policyholders' interests and growth of the Insurance industry are the two main objectives behind every action taken by the IRDA. Along with improving intermediation particularly the Agency channel and developing actuarial capability in the non-life industry are one



J Hari Narayan

of the many challenges currently faced by the insurance industry. He stressed the importance of ERM and development of a risk based approach for solvency calculations. On pensions, he talked about the current burden on LIC from the annuity business and consequently the importance of developing a healthy annuity business in the private insurance industry as well. He said the use of equity hedging and interest rate swaps were amongst a few areas which could be explored for the pensions business.

Desmond Smith, President of International Actuarial Association (IAA) discussed the current structure of IAA along with its strategic objectives and



Desmond Kent Smith

how the Congress meet of IAA every year serves as a forum for discussions among different Actuarial Associations of different countries. Heerak Basu concluded the inaugural session by a vote of thanks after a presentation by Allan O'Bryant who discussed how life insurance market today is different between US, Europe and Asia. Where



Heerak Basu

US is struggling to improve growth and returns, Europe is focusing more towards centralization and facing



Allan O' Bryant

significant regulatory changes. Asia on the other hand, is observing rapid growth accompanied by capital strain due to high investment in business development.

### **Session 2 – Global Round Table: Responsible Intermediation- Lessons from emerging and developed markets**

The second session was chaired by Ashwin Parekh, Partner and National Leader- Ernst & Young who initiated the discussion around the theme of the

14<sup>th</sup>GCA. Mark Saunders, MD Towers Watson Asia Pacific, talked about the dual interpretations of 'Change', one being imposed by the regulator and the other that arises due to the developments in the economic environment in which insurers operate. India is currently under the influence of both these kind. Apart from the many positives, he described that there were few worrying reasons as well about the Indian Insurance Industry such as being over bureaucratic, unfair, pushy, and too aggressive. Actuaries must try towards becoming more customer centric rather than being solely focused on designing products which satisfy distributors and the shareholders.

Dr. Wolfgang Droste, Chief Executive Gen Re Asia Pacific discussed the accountability of distributors and brought out the contrasts between banks and insurers as being responsible distributors. He considered internet to play an important role in distribution in future. Importance of keeping the products simple and improving the agency education standards were also spoken about. Sabbir Patel, Sr VP & CFO – International Cooperative and Mutual Insurance Federation, UK talked about what it takes to be a successful mutual. Close involvement with the customers after sales, building long term relationships, paying out claims quickly, being responsive to the feedback of customers are one of the few aspects observed in a successful mutual in the UK. He emphasized on servicing customers being just as important as the price and how the agency plays a vital role particularly in Micro Insurance.

Ton Cheng, CEO of RGA Reinsurance Company, Hong Kong highlighted the strategic roles that a Reinsurer could play for insurers and how technology can direct insurers towards responsible intermediation. He touched upon the lessons that could be learned from the developed countries such as Agency owned life insurance companies, many of which have observed relatively better mortality experience. Gautam Bhardwaj, Director – Invest India Micro Pension Services Pvt. Ltd stressed on the importance of distribution in the Micro Insurance sector where mis-selling are likely to happen and at the same time it being a sector with huge business opportunity. Innovation needs to happen in designing products which are customer centric, and simultaneously also incentivize intermediaries. Ticket size being low, makes the bundling and selling of different products together important to attract distributors. Towards the end of the session, a discussion was held on different measures that industry could adopt to improve intermediation. Fee based approach was talked about but was considered an option which has showed few success stories around the world. It was widely agreed that if customers are given the top most priority then objectives of each stakeholder gets achieved.

### **Session 3 – Enterprise Wide Risks**

This session was chaired by Brad Smith, President, Society of Actuaries, US. The first speaker was Caroline Bennet, Practice Leader – Deloitte, Australia who gave a presentation on ERM. She focused on the significance of building ERM framework in organizations



**Session 2 :** (L-R) Gautam Bhardwaj, Mark Saunders, Ashwin Parekh, Wolfgang Droste, Sabbir Patel, Tony Cheng



**Session 3 :** (L-R) Liyaquat Khan, Caroline Bennet, Grace Wong, Peter Von Richthofen, Gavin Maistry, Peter Haslebacher

especially in these days when in today's time they are experiencing high market volatility and many regulatory initiatives such as introduction of Solvency II, Basel III. Rating Agencies are also laying high importance on the risk management practices and have started incorporating them into their decision making. The second presentation was given by Peter Von Richthofen, Head of Insurance solutions, Asia Pacific –Bank of America Merrill Lynch, Hong Kong. He spoke about the current trends in the insurance solvency requirement and ALM. Insurance accounting with the adoption of IFRS 4 Phase 2 will move towards a mark to market balance sheet which will be harder to manage with regard to capital and earnings volatility. Solvency II has strengthened credit risk capital requirement based on a spread movement applied to the duration of the bond, which will entail substantial capital requirement for long dated bonds. He raised interesting questions such as, how exceptional was 2008 widening of credit spreads and what really is the correlation between interest rates and credit spreads.

Next presenter was Grace Wong who is the Head of Life & Health Actuarial Control at Swiss Re, Zurich. The emphasis of her presentation was on the importance and the rewards of embedding risk management in the business. It is important that organization's strategy, capital allocation, target setting, portfolio and performance measurement are all linked to the risk management principles. The fourth presentation was given by

Gavin Maistry, Chief Actuary Munich Re Asia who talked about an interesting new concept in risk management called 'complexity'. The idea is that each of the letters of the word 'complexity' talks about an important aspect of risk management. For instance first two letters denote the Cycle of risk identification to risk modeling to risk steering, and the Ordering of different risks that companies are faced with. The last presentation was given by Peter Haslebacher, COO – iWorks Asia Pacific Sungard, who talked about the importance of automation and the way it could reduce operational risk for an organization. It could improve data management, security, and governance & control. Other business benefits could include high volume scalability, production of executive dashboards and spreadsheets.



**Session 4 :** (L-R) Parag Saigaonkar, Sameer Dewan, Liyaquat Khan, Debashish Banerjee, Alok Kumar

## Session 4 – India: Global Destination for Service Delivery

The fourth session was about the current consideration given to India globally as a hub of service delivery to many geographic locations. It was chaired by Parag Saigaonkar, Regional Managing Director of Deloitte Consulting India. He started with a presentation about how India is gradually moving from the 'bottom of the pyramid' and delivery centre focus to an innovation hub. Although finding the right talent continues to be a challenge but the demographic situation is still in India's favour. The second presentation was given by Sameer Dewan, SVP & Business Leader for Insurance at Genpact. He mentioned that current trends in insurance show more end to end and complex work being outsourced to India. With changing regulatory environment, demand for risk and compliance outsourcing is also increasing. Although there are challenges such as insufficient infrastructure, high inflation, and high attrition; but with measures such as augmentation of budget for basic infrastructure, moving to tier 2/3 cities, and right employee engagement, these challenges can be addressed.

Next presentation was given by Debashish Banerjee who is the Practice Lead of Actuarial and Analytics for Deloitte Consulting LLP. He talked about the current actuarial off-shored activities carried out in India. Valuation, pricing, experience analysis, loss monitoring,

benefit calculations came out to be the activities employing most of the actuarial resources in outsourcing. He stressed that good communication skills, efficiency gains, finding the right talent, and cost arbitrage are the key pillars for successful outsourcing. The last presentation of the session was given by Alok Kumar, Head Risk Management at Swiss Re Shared Services, Bangalore. He explained the way the profile of actuarial work outsourced to India has improved over the years. From data cleaning and simple generation of results, India has lately observed the inflow of more complex work such as capital modeling, ERM, and Solvency II. Actuarial outsourcing can further evolve towards more functional ownership and providing valuable inputs to internal capital and the risk management process.

### Session 5 – Educating Actuaries for Business Leadership

This session was chaired by Sachin Sondhi, Strategy & Operations Consulting Practice Leader – Deloitte Touche. He initiated the discussion by pointing out few characteristics that make a good business leader and how Actuaries fair in them. For being a good actuary, one needs to have an eye for detail, but that might hinder in developing high level business decision making abilities. He also raised few questions such as, not having CPD credits for enhancing soft skills, and what are the Institutes doing towards grooming actuaries as business leaders. Colin O'Hare then gave a presentation on how education of actuarial students can be enhanced to develop business awareness in them. This can be done by providing them access to real data, providing industry work experience, and the use of real life situations to explain actuarial concepts.

Particia Teufel, President of Casualty Actuarial Society, US laid down the skills that employers value the most in the Actuaries. Few of the mentioned skills were business acumen, professionalism, strategic thinkers, and motivation to carry beyond technical work. Professor Steve Haberman, Director and Deputy Dean of Cass Business School talked about teamwork, leadership, negotiation,



Session 5 : (L-R) Sachin Sondhi, Colin O' Hare, Liyaquat Khan, Patricia Teufel, Steven Haberman, Ronnie Bowie

and ability to manage in diversity as being few of the key skills that Actuaries should possess. He quickly went through a typical MBA curriculum which reflected it being oriented towards business leadership and proposed employers, business school, and professionals working together to provide an integrated solution to develop business leadership amongst actuaries. Ronnie Bowie, the Immediate past President of Institute and Faculty of Actuaries, UK also stressed the importance of actuaries broad basing themselves on top of the technical skills. Constructive challenges in work can help develop business acumen.

### Session 9 – Insurance markets: Reinsurance solutions

This session was chaired by John Poole, Advisor to the Board of Max New York Life Insurance Co. Ltd. It started with a presentation by Madhu Sridharan,

Research & Development Actuary of Munich Re who mentioned how reinsurance can be used as a tool for capital management. He talked about the different tools for increasing assets or decreasing liabilities for an insurer and the ways regulator view these arrangements. The second presentation was given by Paul Sauve, Sr VP, Global Financial Solution, RGA. He started with the history of life insurance in India and then talked about the recent IPO regulations of IRDA (Issuance of Capital by Life Insurance companies Regulations 2011). GN-10 which was soon released after the IPO regulations talks about how Indian insurers seeking an IPO should calculate the EV of their organization. EV methodology prescribed in GN-10 to some extent is towards market consistent but at the same time is allowing some freedom.



Session 9 : (L-R) Torben Thompsen, John Poole, Madhu Sridharan, Paul Sauve, Chantal Blackie,

In the third presentation of the session, Chantal Blackie, Chief Business development Office, Hannover Life Re, Bermuda spoke about the prevailing myths in the industry with respect to Financial Reinsurance. Some of these myths being: financial reinsurance bringing no benefit to policyholders, it contains no risk for the reinsurer, it causing the failure of insurance companies, and financial reinsurance diluting shareholders' investment. The emphasis of her presentation was on clearing these myths by pointing out the desired purpose of financial reinsurance transactions. Reinsurer faces the risk of actual experience being worse, financial reinsurance allowing greater capital freedom and improves solvency ratio which eventually enhances policyholder protection. Apart from providing a cheaper source of capital, it also protects shareholders from downside risk of actual profits being less than anticipated.

The last presentation of the session was given by Torben Thompsen, Chief Pricing Officer, Life and Health, Swiss Re UK. He talked about the essence of Insurance Linked Securities (ILS) and the way it repackages insurance risks and transfer it to investors via capital market instruments. He distinguished between the indemnity based and index based securities. Global longevity exposure is estimated to be approx USD 20 trillion of pension assets reflecting a disproportionate demand and finite capacity in the insurance market for longevity transfer. ILS could be practical to insurers by providing capital relief, monetizing EV, and become a part of the long term risk management strategy.

## Session 10 – Microinsurance & Microfinance: Defining the Minimum Financial Security

This session was chaired by Arup Chatterjee, Senior Financial Specialist – Asian Development Bank.

He defined micro insurance as a form of risk protection operating on basic principles of insurance which can be accessed by the lower income population. Financial inclusion is not just enabling delivery to banking but it encompasses improving the range, quality and availability of financial services for the underserved and the financially excluded. He further added that for micro insurance to develop its true potential, insurance sector development and enabling policy and regulatory environments are the essential prerequisites. The next presentation was given by Kumar Shailabh, General Manager of Uplift India Foundation. He elaborated about a community owned Health Protection Program called 'Uplift Mutuals' where communities share their health, life risks when in built as a system and with technical guidance and support. The risk is managed by the communities themselves on the principles of risk pooling and self-solidarity. For instance deciding their own claims using parameters such as earned premium, claims ratio, fund guidelines in a technical unbiased manner. There are however challenges such as regulations, patience and set up resources.

The third presentation was given by Svetlana Cavoski, Certified Actuary of Dunav Insurance Company, Serbia. She highlighted how micro insurance can

help remove poverty, and the existing challenges faced in Serbia to implement it. She further commented on the role of government in implementing Public Private Partnership models and particularly the roles actuaries could play in it. Sabbir Patel, Sr. VP, ICMIF, UK gave a presentation about Microtakaful, its principles and practices, evolution of this sector, and opportunities. He further mentioned about inherent challenges such as determination of shareholder income, limited Retakaful market, and a global shortage of Islamic scholars. The last presentation was given by Mayur Ankolekar, a Consulting Actuary at Ankolekar and Co. He explained the indemnity and weather index based types of crop insurance and stressed particularly on advantages and disadvantages of each. He then detailed the two methods commonly used for its pricing; historical burn out rate and Binary Logistic Regression. Where the former calculates risk premium as expected frequency multiplied by expected yield estimates, logistic regression uses time series and predictive modeling techniques to model the probability of claim.

### About the Author



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# CONCURRENT SESSIONS ON PENSIONS, EMPLOYEE BENEFITS AND SOCIAL SECURITY

Organized by : Advisory Group on Pensions, Other Employee Benefits and Social Security

Venue : The Renaissance Mumbai Convention Centre

Date : 21st February, 2012

by R Arunachalam; FIA FIAI

The Concurrent Session on Pensions, Employee Benefits and Social Security was conducted on the second day, 21<sup>st</sup> February 2012. The themes for the concurrent session were selected carefully to reflect the current global economic and demographic issues in the arena of Pensions, Employee Benefits and Social Security. The sessions also provided a platform to exchange the general and technical update involved in the design, management, accounting and evaluation of all type of employee benefit schemes. The sessions were well attended with a mixture of senior professionals and junior students with active audience participation.

## Session 1 : Financial Challenges in Old Age: Roles and Responsibilities of Stakeholders

The concurrent session started with **Round Table** on the topic **Financial Challenges in Old Age: Roles and Responsibilities of Stakeholders**. The Chairperson Gautam Bhardwaj, Director – Invest India Micro Pension Services introduced the panel: Ronnie Bowie, Immediate Past President – Institute and Faculty of Actuaries, Phil Wadsworth, Executive Director & Chief Actuary – Jardine Lloyd Thompson and Kulin Patel, Director – Client Management – Towers Watson.

The Chairperson **Gautam Bhardwaj** suggested that we look at the Financial Challenges and how they had been handled in the past from a European, UK and Indian perspective. He stressed the importance of this topic and explained how India has moved over the past few decades in terms of culture and how this has created new challenges

in the old age. He requested the panel to discuss both the medical and non-medical needs during the old age.

**Ronnie Bowie** presented his perspectives on the improving longevity issues and how the demography is changing as a result of this in India and China. This he said has brought an exponential increase in healthcare spending both in terms of the cost and also the increased lifetime. He also stressed need for engaging with the employees and the role of employer's in this respect in the future. He concluded the importance of Actuaries in the whole process – especially by designing private and public pension schemes, insurance products and making sure they are well run and deliver on their promises. **Phil Wadsworth** presented a UK perspective and how Defined Benefit pension landscape has changed in the UK. He shared the statistics from the Purple Book 2011 and how the number open schemes have almost halved since 2006 as a result of large solvency deficit, volatility and business impact. He explained how derisking as a shared objective work well for the stakeholders. He further explained the range of actions from the point of view both Financial Impact and Ease of Implementation. **Kulin Patel** explained the needs in the old age, the changing Indian demographic profile and what the employers could do and how they could be enabled. He also explained how the employer could set up a Health Accumulation Plan and Long Term Care Insurance to help meet the old age needs.



Gautam Bhardwaj



Phil Wadsworth



Sundeep Raichura



Ramani S. G. Venkatramani



Kulin Patel



Lance Burma



Martin Elcoate, Jagadish Salunkhe



Michael Winkler, K. Sriram



Ian Rogers

## Session 2 : Employee Benefits – Challenges and Risks

The Round Table was followed by a session under the theme **Employee Benefits – Challenges and Risks**. The session was chaired by **Sundeeep Raichura**, Chairperson – Actuarial Society of Kenya.

**Ramani S G Venkatramani** presented on the topic **Actuarial Challenges in**

**DC Schemes – An Australian Stock-take**. He explained the traditional role of Actuaries in the Defined Benefit world and how this has changed in the defined contribution world. He hypothesized greater actuarial involvement in DC plans is both necessary and desirable in the best interests of beneficiaries. He went on to share his Australian experiences including focus on risk management and financial conditions report for superannuation funds.

This was followed by a session on **Accounting for and Measuring Employee Benefit Risks in India** by **Kulin Patel**. He provided a snapshot of Defined Benefit scheme liabilities of BSE 100 companies and how they have changes during the past few years. He then explained the proposed changes in AS 15 (Revised 2005) under the draft Ind AS 19 and key updates that will affect India. He concluded that compliance changes have provided more and evolving role for actuaries.

## Session 3 : Measuring Approaches: Security and Quality

**Jagadish Salunkhe**, Mercer Consulting chaired the next session under the theme **Measuring Approaches: Security and Quality**.

**Lance Burma**, Principal – Milliman, discussed the concept of Pension Funding Index, an index measuring and projecting the funding ratio of various pension plans. He presented the monthly index of 100 largest listed US companies with DB plans and quarterly index of 26 Indian public sector banks. The India Study highlighted the following challenges: Lack of standardization of pension related disclosures; Absence of Pension Funding rules and Asset allocations.

**Martin Elcoate**, Director of Operations – Jardine Lloyd Thompson presented on the topic **Quality – A Culture Not A Checklist**. He explained the requirements of clients and how they view quality, the difficulties in creating and maintaining a process for quality – especially the way checklists are handled. He suggested that the quality be better embedded in the process itself. He concluded by explaining

the various underlying principles for Data and Models under the new UK standards.

## Session 4 : The Future of Pensions

**Dr. K. Sriram**, Appointed Actuary – Max Bupa Health Insurance Company Limited chaired the final session under the theme **The Future of Pensions**.

**Michael Winkler**, Head Financial Solutions Life – New Re, made an interesting presentation **Variable Annuities and the Pensions Opportunity in India**. He started with the introduction of Unit linked pension funds in Europe, then went on to explain the Variable Annuity Features and Guarantees. He explained how the pensions in India fit into this category and how financial market restrictions are affecting their performance. He then explained the volatility issues, how they could be managed through target volatility funds.

**Ian Rogers**, Scheme Actuary – Aon Hewitt, presented on the **Trends in Global Benefit Governance**. He covered three key policy areas covering: Operations, Financial Management and Benefit Design. He explained an Operational Governance Model with some example risk assessment metrics. He also presented a snapshot on the management actions on benefits; investments; liability and funding;

The Round Table and all the presentations were followed by interesting question and answer sessions. More information on these presentations can be downloaded from the Institute of Actuaries of India professional website <http://www.actuariesindia.org>.

## About the Author



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# CONCURRENT SESSIONS ON HEALTH CARE INSURANCE

**Organized by :** Advisory Group on Health Care Insurance  
**Venue :** The Renaissance Mumbai Convention Centre  
**Date :** 21st February, 2012

by Bhumika Bhatia

## Session 1: Critical illness. How Dreadful?

The first concurrent session on Health insurance in 14<sup>th</sup> GCA commenced with an inaugural note by J Meenakumari, Joint Director IRDA. She started the session by talking about existing critical illness products in the market. She briefly mentioned about the demand of the product, scope of further innovation and to reduce product complexities and expectations of customers from the insurers. She chaired the session presented by Dr. Wolfgang Droste, Chief Executive Life/Health- Asia Pacific, Gen Re, Hong Kong and M Karunanidhi, Director Actuarial Services, RGA Services India Pvt Ltd. Dr. Wolfgang shared the highlights on the survey on dread disease. The scope of survey covered 95 countries in the period 2004-08 and the survey results were discussed under the following headings.

- Market survey and Product features
- Claims analysis
- Incidence analysis

In the market survey, he presented the trends of policies in force for some countries on various dimensions such as age band, average sum insured, product type, benefit type, waiting period, etc. whereas in the claims analysis he covered the no. of claims by market split into death and dread disease, the declinature rate of claims for some countries over the two periods of survey. He also covered the declinature rate by various reasons of declinature such as non-disclosure, exclusions, within waiting period. He shared a study on the thyroid cancer in Korea, the age distribution that is most impacted by it and the likely reasons for the bad experience in Korea. He summarized his survey study on the

views that the dread disease products continue to sell well. It is mainly sold to the people of age 30-40 and children. China has shown increasing incidence rates of dread disease and Australia has high declinature rate.

The session was taken ahead by M. Karunanidhi where he focused on critical illness and its variations. He emphasized on the issues regarding critical illness from the perspective of insured and insurer both. In his address, he touched upon the product options like single pay and multiple pay available in the market, considerations on including definition of critical illness in the product, pricing of a major Critical illness like cancer and survival trends after a critical illness claim. He covered the variants of single pay products available in the market and on what principles does the severity base products work. He discussed what multi pay products offer, concluding his note with the remarks that there is a need in product evolution from the customer's point of view, innovation in the product covering all aspects like pricing, underwriting claims and documentation.

## Session 2: Life within Hospitals. How Painful?

The session saw views on life within hospitals and how distressful it is. Sanjay Datta, Head Underwriting and Claims - ICICI Lombard General insurance chaired this session and the honorable speakers Torben Thompson, Chief Pricing Officer-Swiss Re-(UK), Herbert Meister, Chief Actuary- Munich Re and Andres Webersinke (Gen Re) presented their views on the topic.

Torben Thompson talked on the medical insurance perspectives. He covered the type of health insurance products



J. Meenakumari



Wolfgang Droste



M. Karunanidhi



Nayan Shah



Torben Thompson



Herbert Meister



Andres Webersinke



Sanjay Datta



Jagbir Sodhi



Richard Kipp

available in the market and their coverages. He shared the statistics of total health expenditure per capita, total health expenditure as a % of GDP for some developed, developing and under developed countries, also covering the contribution of state government towards health expenditure as a % of country's total health expenditure. He showed that USA tops the list of countries in terms of total health expenditure while India has still the potential for further growth in health insurance and is yet to be tapped fully. He talked about government's social responsibility to improve health care markets, mechanisms for financing private health care costs. He also said that he foresees significant growth in India in the coming few years. To support his views he underlined the following key drivers that will impact the Indian insurance market:

- Demographic- Population size is increasing due to high birth rate and also the improvement in longevity of life.
- Macro-Economic -Increase in GDP per capita and good economic growth projected for next few years.
- No major contribution by government towards health apart from RSBY for BPL families
- Inflating health costs
- Favorable tax treatment.

He also shared that health insurance market is a multi stakeholder market with TPA and health providers apart from government, IRDA, agent and insurers also being a part of the environment. He brought forward the challenges of a new market that is to define a suitable product meeting insured need, pricing it correctly with limited access to the data, negotiating with providers keeping focus on volume of business, insurer's business objectives in the market and the state of insurance cycle. He shared his concern that in comparison to life insurance, health insurance policies are complex and it is a challenge to make individuals understand their need and importance.

Then, in his presentation he covered the insured and insurer's concern and the regulatory involvement. The

policyholder's concern included the points like

- Affordability of a product and its value for money.
- Products meeting almost all health needs of people of all ages
- Experience at the time of claims settlement.
- Loyalty of an insurer.

While insurer as an important stakeholder of health insurance market has more concerns like

- Risk of anti-selection
- Ambiguous policy wordings
- Medical inflation
- Quality and Quantity of data
- Poor disclosure of material facts
- Competition in the market etc.

He said that the regulators' concerns the issues like tariff pricing, commission limits, portability that is one of the key issues in a product, guaranteed renewability to safeguard insured's concern for meeting cost at higher ages, product approval and no age restrictions. He further addressed that it is a challenge to cover those to whom traditional insurance cannot be offered. Industry has genuine concerns over this, thus, more practical underwriting and appropriate premium charging should be allowed. He wrapped up his presentation on the point that government, insurer and regulator should work together to meet the challenges faced.

The presentation by Herbert Meister focused on Trends and Drivers of the Hospitalization costs in Asia. In his presentation, he talked about the cost drivers such as Economic development, Demographic development, Demand and supply of Health care and Health systems and regulations.

He talked on how changes in economic factors lead to the change in behavior in demand in healthcare and if supply is not matched with the demand, it leads to an increase in premium rates. In economic downturn, high lapse rates lead to anti selection so it can be said that there is a correlation between economic developments and insured's behavior.

He also underlined the demographic

factors like aging population, changing disease pattern, changes in lifestyle that result in

- Higher incidence rates due to age
- Complex medical treatment and longer or shorter stay in hospital
- Changing incidence rates due to new diseases or advanced medical treatment
- Inadequate supply of Health care
- Increase risk of epidemics and pandemics.

He shared a study on the trends of hospitalization burning cost, hospitalization incidence rates, burning cost by diseases in Japan, Taiwan, and Korea. He talked on how customer and provider behavior affect supply and demand of health care. In the presentation, he mentioned the impact of regulations and controls, screening programs for selected diseases and changes relating to underwriting on changing utilization behavior of insured.

He concluded on the statement that health systems are very complex and subject to reforms. Impact of reforms is difficult to forecast and is often unexpected.

Andres Webersinke continued the session by sharing views on issues like insurance cover for persons living with HIV and lifelong renewal. He touched upon on the IRDA's recent proposal of extending insurance cover to people with HIV who are in the normal course out of the scope of traditional health insurance cover. He stated that there is a need to set clear underwriting guidelines about all the risks that can be considered, risks that will be denied also indicating the specific loadings.

He cleared the view that an insured contracting HIV after being accepted by an insurer under the health policy cannot be denied a cover at the time of renewal. He shared a study on the UK population that were detected as HIV+, showing that with advancement of treatment, life expectancy is increasing rapidly. He also emphasized that the time of diagnosis of disease is the key factor in expenses incurred in treatment of HIV; a highly specialized product is needed for such people as higher the

life expectancy longer the insurance cover is required.

He said that insurer's need to have proper systems and infrastructure in place to cover such people and there can be no simple underwriting guidelines. He also pointed that HIV infected people live longer but also for a longer period with sickness and prediction for such health costs is still uncertain. In the presentation, he covered that HIV is an expensive disease, initial investment on better treatment can defray later heavy investments, early detection and access to care are the key factors. He said that regular payments under the policy are more appropriate than lump sum benefits under the cover. He indicated on how insurers want to know more about co-morbidities of HIV and wishes to be flexible with the UW guidelines along with the diagnosis of HIV infection, additional data on HIV status, full health questionnaire and medical report also on all co-morbidities and the holistic risk assessment of the individual's risk if necessary. He focused that rather than forcing industry to price a risk that is difficult to price emphasize more on education and prevention to reduce cost for HIV treatment, also encourage employers to become interested in group life cover with HIV prevention and treatment cover and state sponsored programs for masses and needy.

In his second agenda of the presentation, he covered the issue of lifelong renewal. He discussed on how insurers are reluctant on offering lifelong renewal after a certain age due to steep increase in the health costs. He shared a study on hospitalization expenses and days of hospital stay, emphasizing that an insurer should keep in mind the steep curve of hospitalization costs while pricing lifelong renewals. Also that insurer should not price the risk if it does not have the expertise to do so as one of the study shows that hospitalization expenses of an insured aged 90 years may be 12 times more than an insured aged 43 years.

He suggested that instead of demanding lifelong renewal, introduce incentives or regulation for (tax-efficient) medical savings accounts or otherwise set up

old age reserve by reviewable premium if still the lifelong renewal is demanded.

### Session 3: Round Table Current Trends and Future Projections for Health Insurance in India.

The panel members of the discussion were Sanjay Datta, Head of Underwriting and Claims – ICICI Lombard General Insurance, Dr. Nayan Shah, MD-Paramount Health Services (India) and Jagbir Sodhi Director Swiss Re (UK). Richard Kipp, Consulting actuary – Milliman (US) chaired the discussion. The discussion revolved around various evolving market trend such as the market being dominated more by inpatient hospitalization, increase in health savings account, insurers bent towards different distribution channels such as Bancassurance. The panel discussed about TPAs role in the health care industry. It discussed on how TPA is expected to be involved in various aspects of health care such as it is being asked to study fraud, its contribution towards the working of government mass policies, its support to insurers in running loyalty programs and health checkups.

Dr. Nayan Shah talked explicitly about the problems that a TPA faces in terms of software, quality of data, expert manpower, organizing health camps at regular interval. The panel highlighted that issues like survival of inhouse TPAs and that primary care management can be very challenging while it will still want quality of treatment to be assessed properly. Towards the end of the discussion Richard Kipp contributed his views on the quantity and quality of data and the challenges faced if the two are not met.

#### About the Author



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# CONCURRENT SESSIONS ON GENERAL INSURANCE

by Neel Chheda

**Organized by :** Advisory Group on General Insurance  
**Venue :** Renaissance Mumbai Convention Centre  
**Date :** 21<sup>st</sup> February 2012

The topic for the sessions of the assembly gave full justice to the ongoing theme of the conference: *Meeting the Challenges of Change*. The chairperson of the Advisory Group for General Insurance Sharon D 'Costa greeted all the speakers.

## **Session 1: Round table on Anatomy of Failure of General Insurers: Lessons from HIH Australia and Other Failures.**

**Chairperson: Patricia Teufel, President of Casualty Actuarial Society (US),**

**Panel members: Mike Fowlds, Hemant Kaul, Bhargav Dasgupta & Vikas Newatia.**

Patricia Teufel introduced the topic and supervised the proceedings of the session. The session was highly interactive between the panel members along with many interesting questions from the floor.

Overall the panel members agreed that

the topic was very relevant and valid for the Indian General Insurance Industry which was bleeding due to under pricing and under reserving across almost all the companies in the Industry.

Hemant Kaul, CEO of Bajaj Allianz General Insurance Company stated that it was the opportune time for the Indian industry to learn from other economies/ companies which have seen failures and insolvencies. He commented that the industry was bleeding in the absence of any major catastrophe event post-detarification, It would be difficult to fathom the impact of a catastrophe on the Industry.

Bhargav Dasgupta, CEO of ICICI Lombard General Insurance Company, added that the non-profitability of the Indian General Insurance Industry is on account of insurer's inability to understand the risks being underwritten and thereby price accordingly. He attributed this

issue not only to the intention and ability of management to bring in profitability but also the acute shortage of qualified, experienced actuaries.

Mike Fowlds made a presentation of interesting case studies on of the subject 'Causes for failure of General Insurers across the globe'. This study involved more than 1250 insolvencies or failures over the years, some of which included FAM Insurance in 1966, Transit Casualty in 1985, & Mission Insurance Co. in 1987. More than 65% of these failures were caused due to insufficient reserves, under-pricing and management frauds. Other causes included overstated assets, catastrophes, significant change in business, impaired affiliate and reinsurance failures.

Panel members pointed out that in the Indian context, high business growth coupled with under-pricing, inadequate reserving, inadequate reinsurance protection and a reduction in solvency margins from 1.5 to 1.1, posed a significant threat. Hemant Kaul remarked that the current condition of the Indian non-life industry was the result of a complete failure of the corporate governance model.

It was after this era that more regulations were brought in, extensive risk management tools were devised,



Mike Fowlds, Hemant Kaul, Bhargav Dasgupta, Patricia Teufel, Vikas Newatia

solvency regime established and also improvements in information technology and infrastructure to have better analysis and decision making for pricing the business.

Mike Fowlds also presented case studies from recent times like Teisei Marine & Fire and HIH (Australia) Insurance in 2001, American Insurance Group in 2008 and AMI (New Zealand) in 2011. The underlying causes of failure in these cases were catastrophe events coupled with inadequate reinsurance protection, inadequate understanding of risks from globalisation and other systemic risks like over reliance/dominance of affiliates/leaders.

The session concluded with remarks that new regulations have been framed which include Solvency II framework to address these issues. In the Indian context, new regulations like Financial Condition Assessment Report and Economic Capital could be very effective if the management use it well and gives the de-facto position to the Appointed Actuary at Board meetings.

### **Session 2 Global Advances in Pricing and Reserving**

**Chairperson: Ron Kozlowski, Director – Towers Watson Asia**

**Presenters: Peter Lee and Debarshi Chatterjee**



Ron Kozlowski

The presentation by Peter Lee talked about the advances in the technologies used for pricing in insurance as well as other industries. These advances could be classified into 3 eras.

- The first one was usage of algorithms and the rise of machines. He demonstrated how algorithms were used in non-insurance industries by



Peter Lee

companies.

E.g. Netflix used to ask for reviews or comments for the films and then based on algorithms, it could predict the probable rating of any upcoming movie.

- The second era constitutes the usage of predictive modelling in P&C Industry. Predictive modelling is used extensively for pricing the business and also to inform the claims team to allocate resources and tackle fraud. It takes form of multivariate analysis and generalised linear modelling. In many economies, it has helped to identify profitable segments and restrict the loss ratios significantly
- Third era constitutes usage based insurance (UBI) which would involve charging motor insurance according to exact usage of the vehicle. This will involve installation of GPS devices in the vehicle to capture real time data of the location of the vehicle.

Debarshi Chatterjee spoke on global advances in reserving. Along with brief introduction of traditional



Debarshi Chatterjee

methods of reserving he discussed various stochastic methods, advanced

deterministic methods and new developments. He also discussed approaches to reserve for non-traditional exposures. He discussed reserving methods like Mack's, Bootstrapping and Berquist-Sherman, highlighting the pros and cons of each method.

He highlighted some new developments across the globe like time series modelling to analyze effects of reserve cycles and to adjust for correlation between accident years. The session concluded on a note that it was better to consider the variability of reserves rather than point estimates and it was important to consider the diagnostics from triangles rather than to rely on overly-complex models.

### **Session 3: Natural Catastrophes: Learnings for the Indian market from 2011 global experience**

**Chairperson: R.R.Belle, CEO of SBI General Insurance Company.**

**Presenter: Jyoti Majumdar, Vice President Swiss Re – Cat perils**



R.R.Belle

Jyoti Majumdar explained why insured losses because of catastrophes were on a rise in recent years with specific examples of recent experiences of earthquakes and floods. He then summed up the lessons to be learnt for the Indian market from the 2011 Global Experience.

The total insured losses from 2011 Natural Catastrophes were USD 47bn, which is several times more than predicted by any Natural catastrophe Model. The main reasons for this were increased sum insured value of property, more concentration in exposed areas, more insurance penetration than



Jyoti Majumdar

expected, climate change, rise in sea level, demand surge post any event and rapid development in recent years.

There was no major natural catastrophe in India in 2011, however the hazard map for India states that around 59% of Indian terrain is vulnerable to earthquakes and 30% has major or severe hazard.

Recent catastrophe events were discussed which included Japan

earthquakes and New Zealand & Thailand floods. Some of the shortcomings of existing catastrophe models in predicting these incidence rates were noticed. E.g. After shocks affect short term incidence rates and secondary loss agents like tsunami, liquefaction, business interruption etc. also add a lot of uncertainty to prediction. Further no allowance was given to the duration of shaking in the event of occurrence of an earthquake.

It was also observed that countries which had a better insurance ratio i.e. ratio of insured loss to total economic loss suffered, were more successful in rehabilitation and revival process especially where catastrophe reinsurance was majorly done internationally.

Also a need for better pricing and underwriting of these natural

catastrophes was considered especially for floods. This could be done by reducing exposure by applying sub-limits per location and meaningful deductibles; by writing reinsurance for catastrophe only on non-proportional basis and by analysing based on very granular data especially for flood risk as well analysing accumulation of exposure.

### About the Author



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Institute of Actuaries of India

## THE ACTUARY INDIA – EDITORIAL POLICY

(ver. 2.00/23<sup>rd</sup> Jan 2011)

### Version history;

Ver. 1.00/31 01 2004

Ver. 2.00/23<sup>rd</sup> Jan. 2011

- A: “the Actuary India” published monthly as a magazine since October, 2002, aims to be a forum for members of the Institute of Actuaries of India (the Institute) for;
- disseminating information,
  - communicating developments affecting the Institute members in particular and the actuarial profession in general,
  - articulating issues of contemporary concern to the members of the profession.
  - cementing and developing relationships across membership by promoting discussion and dialogue on professional issues.
  - Discussing and debating issues particularly of public interest, which could be served by the actuarial profession,
  - student members of the profession to share their views on matters of professional interest by way of articles and write-ups.
- B: The Institute recognizes the fact that;
- there is a growing emphasis on the globalization of the actuarial profession;
  - there is an imminent need to position the profession in a business context which transcends the traditional and specific actuarial applications.
  - The Institute members increasingly will work across the globe and in global context.
- C: Given this background the Institute strongly encourages contributions from the following groups of professionals:
- Members of other international actuarial associations across the globe
  - Regulators and government officials
  - Professionals from allied professions such as banking and other financial services
  - Academia
  - Professionals from other disciplines whose views are of interest to the actuarial profession
  - Business leaders in financial services.
- D: The magazine also seeks to keep members updated on the activities of the Institute including events on the various practice areas and the various professional development programmes on the anvil.
- E: The Institute while encouraging stakeholders as in section C to contribute to the Magazine, it makes it clear that responsibility for authenticity of the contents or opinions expressed in any material published in the Magazine is solely of its author and the Institute, any of its editors, the staff working on it or “the Actuary India” is in no way holds responsibility there for. In respect of the advertisements, the advertisers are solely responsible for contents of such advertisements and implications of the same.
- F: Finally and most importantly the Institute strongly believes that the magazine must play its part in motivating students to grow fast as actuaries of tomorrow to be capable of serving the financial services within ever demanding customer expectations.

# CONCURRENT SESSIONS ON LIFE INSURANCE

By Kailash Mittal

**Organized by : Advisory Group on Life Insurance**

**Venue : The Renaissance Mumbai Convention Centre**

**Date : 21<sup>st</sup> February 2012**

The concurrent session was split into three sessions; each session was relevant to the ongoing theme of the conference “*Meeting the Challenges of Change*”. The chairperson of the Advisory Group for Life Insurance, Nelius Bezudenhout welcomed all and set the tone.

**Session 1: Aspects of risk in Life Insurance** was chaired **Avijit Chatterjee, Appointed Actuary – ICICI Prudential Life Insurance**. This session comprised of two presentations:

**Genetic Testing, Insurance Underwriting and Adverse Selection** presented by **Pradip Tapadar, University of Kent** covering:

- introduction of relevant genetic factors, e.g. single gene disorders such as Huntington’s disease which can be easily recognised by their cause vs. multifactor disorders such as cardio-vascular diseases and cancer for which genes and environment, and other such factors play a role
- affect of adverse selection on the companies generally

- regulations on the use of genetic testing and associated confidentiality
- impact on a prospective policyholder’s decision and adverse selection using a two state model using loss ratios and relative risk. The study concluded that:

- o adverse selection does not appear unless purchaser insures a small proportion of wealth, the elevated risks implied by genetic information are implausibly high and the size of the low-risk stratum is unrealistically small.
- o in circumstances that are plausibly realistic, private genetic information relating to risks only available to consumers does not lead to adverse selection.

**Calibration of Economic Scenario Generators (ESG)** presented by **Eric Yau, Barrie & Hibbert Asia** covering:

- arecap of ESG, its importance and modelling of a typical workflow

- characteristics of Indian Financial Market - narrowest bid-ask spread in the region in spite of small average transaction sizes
- an explanation of desirable features of market consistent calibration, including:
  - o yield curve construction using interpolation, extrapolation and importance of smoothness
  - o determination of volatility using implied volatility and the need for a long term volatility target

**Session 2: Regulatory control over Pricing and Product Design in Life Insurance** was chaired by **Anil Singh, Appointed Actuary – Bajaj Allianz Life Insurance Co. Ltd.**

This session had a very interactive talk on **Regulatory control over Pricing and Product Design in Life Insurance** by **Gary Comerford, Chief Marketing Officer – RGA**.

He shared the results of a survey he conducted on 22 RGA country offices worldwide. The offices were split into “Mature” and “Developing”, based on the country’s own assessment of its status. Some interesting points highlighted were:

- various mature countries had no product pre-approval process
- average processing time for product approval in countries having a pre-approval process varied from one to twelve months, India currently ranking last

Using special voting meters to record real time responses, Gary also conducted an on the spot interactive feedback session. The majority of respondents agreed that:

- the products should be pre-approved by IRDA
- a reasonable turnaround time for product approval was one month
- the most important issue facing IRDA was protecting policyholders’ interests
- inappropriate sales practices are most common in agency channel



(L-R) Pradip Tapadar, Avijit Chatterjee, Eric Yau



Anil Singh



Gary Comerford

It was also discussed that the industry needed to focus on the back end systems and processes, sort out implementation issues and follow best practices for appropriate risk management.

The speaker concluded by summarizing the key findings of the survey. While respondents in developing markets generally felt that protection of policyholders' interest should be the priority of the Regulator, those in mature markets voted for solvency regulations as the key regulatory priority. With regard to the product approval process, the regulatory focus is generally on product design in developing markets while in mature markets, it is the distribution method.

**Session 3: A Round Table on "Marketing and Selling Life Insurance Products – A Global Challenge"** was chaired by **Ramnath Balasubramanian, Partner – McKinsey & Co.** The panel members were:

Andrew Cartwright, Appointed Actuary – Kotak Life Insurance Co. Ltd.

M. Suresh, CEO – Tata AIG Life Insurance Co. Ltd.

Dr. P. Nandagopal, CEO – IndiaFirst Life Insurance Co. Ltd.

Richard Holloway, MD, South-east Asia & India Life – Milliman

**Ramnath Balasubramanian** introduced the panel and set the context for subsequent discussions. He was instrumental in facilitating the discussions. The key points raised by the panel members are summarised below.

**M. Suresh** started the discussion with special emphasis on understanding the actual needs of the end customer. He further stated that if the product offerings or the pricing of current products need to be revisited, the insurers should proactively relook at the suite of products offered by them.

He recommended that the industry should focus on marketing of products instead of focusing on sales. The insurers should sell based on financial advice instead of a 'push based' sale. He further elaborated that customer communication should not be the fine-print but instead focus on the intent of the product offering.

Further, the insurer should generate trust and brand value. It is the duty of the insurer to ensure that the intermediary is 'delivering the last mile' as planned. The agency should not be driven by scale but quality of business. The only way for increasing the business was through enhanced productivity.

**P. Nandagopal** focused on the fact that the insurance products should address all the potential needs. He reiterated

that the insurance companies should be marketing the products and benefits instead of a push based sell.

The products should be sold depending on the needs and risk appetite of the customer. He further questioned 'what business are we in?'. He suggested that the insurers should differentiate between simplified and complex products. The pricing and risk mitigation strategy for simplified products may be based on the law of large numbers, but for complicated products it has to be based on underwriting requirements and detailed experience analysis. He stressed on the fact that there is tremendous scope for innovation.

He highlighted that the premiums are currently higher than what the people can afford. He emphasised that the distribution costs are high and insurers need to bring down both initial and subsequent maintenance costs. Insurers could explore alternative ways of distributing products, e.g. use of technology enabled platforms, etc.

He opined that companies switching to traditional business from predominantly unit-linked earlier would not be able to contribute to a win-win situation for all the stakeholders.

**Richard Holloway** started with a comparison of the Indian market with the South-east Asian market. The Indian market is perceived to have a great opportunity but it has substantially low profit margins when compared with ~70% in Indonesian market and ~80% in Singaporean market.



(L-R) Ramnath Balasubramanian, M Suresh, P. Nandagopal, Richard Holloway, Andrew Cartwright

Further, Indian market has high operating expenses, lower commission payouts to intermediaries, and poorer persistency when compared with other South-East Asian markets. In an ideal scenario, the distributors should be able to comfortably live-off the commission paid.

According to him, the unit linked products available in the Indian market are fairly simple but the term products are still first-generation. There is scope for improving the protection offerings in the Indian market. He highlighted that the participating products are not actively regulated in the Indian market.

The distribution channels need to evolve for products to be marketed and sold to the end customers. He drew a parallel with the sophisticated offerings made by Independent Financial Advisors (IFAs) in Singaporean market.

**Andrew Cartwright** said that the market is currently in 'product push' mode. He drew a parallel with a game of chess, wherein the advisor was using every opportunity to push the next move by pushing a product instead of migrating

to a need-based selling.

He shared his thoughts on the 'absence of trust' in the market. There is a lack of trustworthy advisors. This may be attributed to the fact that this profession is not a sought after one and parents typically did not encourage their children to become professional insurance agents.

According to him, the current regulations are instrumental in shaping the insurance market. But the insurance companies themselves are developing and redesigning products in order to differentiate themselves rather than develop products catering to customer needs. However, product innovation is not the crux of the issue. He reiterated that lack of professional and trustworthy distributors is the main problem.

He also mentioned that black money in business community poses problems with financial underwriting and hence affects the decision making and providing appropriate solutions from the insurers.

There were many interesting questions

from the participants which lead to a meaningful discussion. To summarise, the key takeaways from this highly interactive session were that the industry needs to strike the right balance among all the stakeholders as business is a collaborative effort. The value proposition for each stakeholder should be improved by reducing the cost of product offering and making it financially viable for each stakeholder and increasing trust through appropriate and legible disclosures.

### About the Author



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Kailash Mittal is a Fellow with the Institute of Actuaries of India and currently is the Pricing Actuary and heads the actuarial pricing team.

K Re

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# RENAISSANCE = (MATH + ART) x IMAGINATION

by Krithika Verma

The 14<sup>th</sup> to 16<sup>th</sup> century witnessed a period of 'Renaissance', which means rebirth and also referred to as the glorious period of revival. A similar theme resonated at the 14<sup>th</sup> Global Conference of Actuaries (GCA) at the Renaissance, Powai. Art and Math melded to produce enthralling sessions from young budding talents of Mumbai's public schools.

Being a member of the Indian Actuarial Profession, I volunteered to organize a set of games for children participating from over 12 public schools in Mumbai. Three NGOs namely Muktangan, Salaam Balak Trust and Door Step School have partnered with the public schools.

A set of 80 creative entries gushed in and were judged for creative, but mathematically underpinned slogan-writing. The topic read, "How can the city get better using Math?" Twenty-five children were selected from the slogan entries and math grades to attend the Actuarial Gala Function and Awards event (AGFA). The children played two rounds of games.

Math Magic, a game comprising of a set of arithmetic equations to be solved using BODMAS rules served as the semi-final round. It felt proud to see

some children get the perfect score at mathematical expressions. The top 15 scorers qualified for the final game – "Memory."

In "Memory" every child was tested on their power to concentrate and embed information within a short span of time. The children saw a collage of 20 pictures for a couple of minutes, after which the roster was to be penned. Two of the three young winners surpassed our expectations by reproducing the entire list within an unbelievable two minutes.

Some of our dear actuaries helped evaluate the 25 short-listed slogans to declare the three winners of the slogan-writing competition. These winners read out their slogans confidently to a packed GCA audience. Nadeem Jameer Khan's winning slogan read, **"Addition of cleanliness and subtraction of filth will make my city 100% beautiful."**

Desmond Kentsmith, President International Actuarial Association and Prof. Fatta Bahadur KC, Chairman Nepal Insurance Regulatory Authority felicitated the winners.

The children were ambassadors of joy and dynamos of novel ideas.

## About the Author



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Krithika Verma is a student member of the Indian Actuarial Profession and employed with Aegon Religare Life Insurance.

Exuberating energy every second, it was indeed a pleasure to spend quality time with them. As the famous quote goes "The grass is greener on the other side of the fence", the children wished to be like the actuaries they saw and we felt nostalgic about our childhood.

After enjoying the evening along the picturesque Powai Lake and followed by a hearty feast, the children left for their respective destinations glad to have got a glimpse of the actuarial world. The experience reminded me of a popular axiom *"A thousand words will not leave so deep an impression as one good deed."*



# INSTITUTE AND FACULTY OF ACTUARIES EVENT IN INDIA

by Derek Cribb

**O**n 20 February, representatives from the Institute and Faculty of Actuaries held an event for our members. Our Immediate Past President Ronnie Bowie hosted the event, supported by myself, Trevor Watkins (Director of Education) and Karen Brocklesby (Registrar). This was a great success with around 120 attendees, and we were thrilled to have an opportunity to meet some of our India-based members and listen to their views.

Having welcomed the participants to the event, Ronnie took the opportunity to speak about our new strategy. Trevor followed by expanding on how we are dedicated to providing more support to our student members in India when preparing for exams, and about the important links we continue to maintain and develop with our friends and colleagues at the Institute of Actuaries of India (IAI). Trevor also explained the arrangements for sitting the Institute and Faculty's CA2 (modelling), CA3 (communications) and CT9 (business awareness) examinations.

Tom Jowett, an Institute and Faculty member from Swiss Re, then outlined our new Professionalism requirements, including how these map across to the IAI's requirements and the fact that under the new requirements, members will start to gain a greater understanding of Professionalism while they are studying, rather than waiting until they become Fellows.

The highlight of the event was the presentation of awards to our newly qualified members in India. Ronnie presented each new Fellow with a pack which included a glass ornament enclosing the Institute and Faculty crest, pen, and a memory stick containing video clips and information on volunteering, member interest groups, our strategy, and our President Jane Curtis' address to members. Congratulations to our new Fellows **Mayur Ankolekar, Kirti Kothari, Pratyay Bhattacharya, Pranshu Maheshwari,**

## About the Author



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Derek joined the Institute and Faculty of Actuaries in May 2010 as a consultant, taking the responsibility of Acting Chief Executive in September 2010. He has recently been appointed to take the role of Chief Executive on a permanent basis and will lead the implementation of the strategy released in June 2011.

**S N Sindhi, Debarshi Chatterjee and Mamata Pandey.** As Ronnie highlighted, there was an immense amount of hard work put in by the new Fellows, but in many cases their families had made great sacrifices to support them on their journey, and they too deserve all our thanks. I would encourage you to visit our website, [www.actuaries.org.uk](http://www.actuaries.org.uk) where there are photographs of the awards being presented to these new Fellows. On 1 March we were pleased to welcome Debarshi Chatterjee to our London offices which he visited to meet Ronnie, Jane and myself.

This presentation was followed by a question and answer session. The formal part of the event was drawn to a close and followed by informal networking, where we greatly enjoyed the opportunity to speak to members and their families.

I would like to extend our thanks to the IAI and Liyaquat Khan for their kind hospitality, especially Aparajita Mitra for all of her help in arranging this event. Congratulations again to our newly qualified Fellows, and thank you to all of our members in India for your continued support.



## ANNOUNCEMENT FOR MEMBERS OF IAI

### The Actuary India Scheme of Awards for Best Article & Reportage for the Calendar year 2012 and thereafter till amended

**The objectives:** recognition of the efforts put in and encourages members to write for the Actuary India magazine either in the form of Articles and/or reportage for various IAI events.

**Process of selection:** Three member Selection Group will be appointed by the President in Dec. 2012 and every December thereafter to set parameters for selection and recommend best two Articles and best two Reportages in order of merit.



**The Awards and recognition:** Based on the Selection Group's recommendations, the following rules shall apply;

- a) The awards will be given by the Chief Editor during the AGFA held immediately after the end of the calendar year 2012. The awards will be in the form of **cash prize and recognition plaque**.
- b) The three member selection Group will send its recommendation by January each year based on editions published in a calendar year 2012 and each Calendar year thereafter.. Every member of the selection Committee will come out with his/her own list of best five articles/reportages. Thereafter, the Group will meet in the second week of January and come out with a commonly agreed upon best two. In the event there is no unanimity the Selection Group will decide on how to select the best two (e.g. going by majority view, draw of lots from the five best drawn by each or any other). This list, along with justifications, will be sent to the President well in time for him/her to announce.
- c) The Author/s of first best Article and Reportage will receive a prize of Rs. 10,000/- for the Article and the Reportage and the next best will receive Rs. 5,000/- accordingly. In case there are more than one Authors, the amount will be allocated equally, however the recognitions plaques will be given to each.
- d) In order to qualify each article/reportage should meet the following minimum criteria;
  - I. at least about 500 words.
  - II. should not be reproduced from articles elsewhere (while sending the article the author should give a declaration to this effect.
  - III. Should be written by a member of the IAI (in the case of joint authors, all should be members of the IAI) at the time the article is published.
  - IV. Reportage should be based on event organized by IAI only.
- e) The award winning authors along with the Selections Groups key points on selection will be published in the **March** issue of **the Actuary India** each year.

  
**Liyaquat Khan**

### AWARDS FOR BEST ARTICLES IN THE ACTUARY INDIA - 2011

In accordance with the framework published in the September 2011 edition of 'The Actuary India' the three member committee comprising of Nick Taket, Sunil Sharma and Meenakshi Malhotra, evaluated the articles published in the year 2011 and unanimously selected the following two articles for the award.

Edition	Title	Author	Comments	Ranking
Sept. 2011	Ageing population: policy responses and challenges	 Hemamalini Ramakrishnan	Interesting, and comprehensive review of some aspects and implications of the 2011 Census. The author has done an in-depth analysis of the problem that the Indian aging population is facing and has done a pretty good analysis of the rapid social and economic changes that are transforming the lives of old people. The author has also pointed out to readers various issues that needs to be addressed via timely formulation and implementation of the policies keeping in mind the rights of the old age people.	1
Sept. 2011	Guaranteed renewability of individual health insurance	 Pal Reddy Vishnu Vardhan	Good, interesting, topical, short review of the implications of recent regulatory changes for health insurance.	2



# VIJAY BALGOBIN – FIRST FELLOW OF IAI – 2011 FROM MAURITIUS

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## Your educational background

I completed my Advanced level (Cambridge, Higher School Certificate) at John Kennedy State Secondary School, Mauritius in 1981 I came out 21<sup>ST</sup> in Mauritius. I studied Maths, Chemistry and Physics – I never studied subjects like accounts, economics etc!

With these results I was eligible to get a scholarship to study at a university in Europe. I applied and while waiting, I applied for a job as a clerk in an insurance company, because university would start only in September, so I could work and get some pocket money, have some fun while waiting to go to university.

## How did you aspire to become an actuary

I had no personal aspiration to become an actuary, I had never heard of it. I was planning to take a BSc in Electronics Engineering. But when the CEO of the insurance company I joined for a temporary few months looked at my high school results, he told me – Why not go for actuarial science to become an actuary? It is much more valuable than a simple university degree. The Company would support my studies. That was where it all started; I never got into any university and registered straight with the Institute of Actuaries (UK). At that time there was not a single qualified actuary in Mauritius. By not applying anymore for any university, I was taking the greatest gamble of my life.

I had no idea what it was, but I had heard so many good things about it and the job prospects were so clear cut at that time that I took up the challenge. There was only one AIA (UK) in the company and no Actuarial Department.

With my decision to go for it, and when I passed the first two subjects, the Actuarial Department was created.

I completed my Diploma in Actuarial Techniques in 4 years, in 1987. I was awarded a prize from the Worshipful Company of Actuaries (UK) for my performance in the Exams.

## Since you are the first Fellow in Mauritius, what was your family's reaction

If today I have completed the FIA, I would give the credit to my wife Saloshna. She was overwhelmed with joy and tears.

First of all I took a rest of 12 years after completing my Diploma in Actuarial Techniques; there was no inspiration, guide or mentor to go for completion to FIAI. At that time there was no FIA/F IAI in Mauritius. So I focused on my work, got married. After I got married my wife encouraged me and pushed me back to complete my studies. But when I resumed studies , I did it through the Actuarial Society of India , as I felt that the

insurance and pension market was similar to Mauritius , while UK was totally different .

I sat for the final SA4 subject, some 6 times with UK and failed. As I went last April 2011 to take my exams, I told her that it was the last attempt after which I am closing down, I will not go back in an exam hall !. I was just sick of exams.

After coming out of the UK exam in April 2011, she just told me, 'why not try this time with the SA exams in India? The Indian exams were just one month after , in May 2011, I did not want to , but she kept at it and finally I gave up and said OK , but I am not studying anything and I am just going to do it to please you .

You can imagine her joy when she learnt that I passed.

## How did you celebrate your success

I just distributed sweets at the office.

## How has been your journey so far

I have had a great time working in the actuarial department and climbed the ladder very quickly to the Management team of the Company. I am now Senior Manager of both the Actuarial Department and the Pensions Department, with additional overview of the actuarial aspects of Life and General Insurance, quite a busy and actuarially fulfilling role.

Completing the Fellowship was just the missing part of the fulfilment of my career as I was already quite active on the actuarial front. I now feel more confident. Clients have a better appreciation and respect of your views and your abilities when you are qualified.

## Did you face any difficulties when pursuing this course from Mauritius

Definitely, studying from Mauritius is quite difficult, especially after completion of the CT subjects. That was the reason why I took a 12 year break. There is a total isolation from major financial markets; there is no student environment, no tutorials, no exposure etc.

You have to rely on yourself. There is no actuarial society yet in Mauritius though there are discussions about setting one up. There are only 13 fellows in Mauritius. The good thing is, however, that the employers provide financial support for the tuition course and exams.

## Any message you would like to convey to other aspirants in India and Abroad doing the course from IAI

There are a very significant number of high flying students, who after completing their secondary school in Mauritius

are entering the actuarial field. It is becoming more and more popular. But care must be taken to understand that actuaries today can no longer operate in an ivory tower. Actuaries operate today in a highly regulated market and due importance must be attached to legal advice and advice from other professionals operating in the same business.

The actuary is being asked to communicate more and more effectively the science which he or she has studied, to non-actuaries. Considerable time has to be spent explaining the why and how of an actuarial result to clients.

**Any dictum that you have always believed in and which has had considerable impact in your professional and personal life**

I am a firm believer of God and He provides me with the inner strength, and direction required to evolve in this hectic world.

I believe that however qualified a person is, he should always keep his feet on the ground!

Humility is the mark of a professional, not arrogance. We have to decide whether at the end of our career we want to be remembered as a good human being or a good professional.



**NIKHIL GUPTA  
MEENA SIDHWANI  
AWARD WINNER- 2011**

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I am elated to have been rewarded the esteemed **Meena Sidhwani Memorial prize** for scoring the highest marks in CA2 – Modelling course. I am humbled and thank the institute for this recognition.

**Educational background**

I am pursuing Actuarial exams from the Institute of Actuaries of India and Institute and Faculty of Actuaries, UK. I have completed all my exams and with few formalities outstanding, and would hopefully be receiving my fellowship soon.

I hold an MSc from Cass Business School, London where I completed the course with distinction (Class of 2009). Prior to this I completed my engineering in Electronics and Communication from IIIT University, Noida (Class of 2007). My schooling has been from Delhi.

**How did you get in to being an Actuary**

My father introduced me to this profession. He knew about Actuarial Science, but chose to be a Chartered Accountant. After completing school, it was my time to decide and I went with the former.

I must admit that with all the fears of low pass results, exams being difficult and quite a few of them, it was intimidating to start with. However a decision I am happy to have made. It has

**Any ways as to how best IAI can help in supporting the actuarial profession in Mauritius.**

Traditionally people know the UK Institute & Faculty much more than any other actuarial institute. I think the first thing to do is to get the message through to actuarial students in Mauritius that studying through India has the same professional value. These kinds of things usually take time. A regular channel of information to the Mauritian employers and students and educational institutions will gradually get over that.

It is important for students to know that the legal definition of an Actuary in Mauritius already includes ...' A Fellow of the Institute of Actuaries of India ',

So there are no hassles required to look for equivalence in the Mauritian market, with the other actuarial associations.

The cost of actuarial studies has always been a worry for some students.... studying through India will definitely cost less than other countries through a more favourable exchange rate for the rupee.

There are some facilities which can be offered through tutorials / seminars /or one of the conferences may be held in Mauritius!

been a long journey of successes and failures that have helped me develop both personally and professionally.

**Career path so far**

I have around 4 years of actuarial work experience. I started my career in 2007 with XL Insurance and worked for 1 year before pursuing my higher studies. For past 3 years I have been working with Torus Insurance in commercial lines pricing domain.

**Pleasure of being an Actuary**

Pleasure and Pain are part of this profession. If you are on the right track, then it's certain that pleasure will make the pain happily bearable.

The profession offers a perfect balance of quality work; financial rewards and work hours (take the exams out!). Just the realization of having the skills I have acquired as an actuary that make me stand out of the crowd is very satisfying. It feels great to be a part of a small community of really smart people that is going strong.

In India, 'career is by chance and not by choice' and you have to work equally hard in whatever you do to succeed. For me, enjoying a career that I chose is the biggest pleasure of being an Actuary.



## ARJUN NAGAL ACET JANUARY 2012 TOPPER

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### **Tell us about yourself, your educational background and your hobbies**

I currently work with the Business Intelligence Unit at ICICI Prudential in Mumbai.

I completed my MBA from the Indian Institute of Management, Bangalore in 2003 immediately after a degree in Electronics and Telecommunication Engineering from the University of Pune.

I spend most of my free time playing or following a number of sports. I play squash, basketball and golf. I often get up early or stay up late to watch sports matches live. I frequently trek in the Sahyadris in the monsoons and the Himalayas whenever I get the chance. I also like playing chess, reading fiction thrillers and history.

### **How did you come to know about the ACET?**

I came to know about the ACET once I decided to register for the actuarial examinations.

### **Having already completed MBA and having a good career already, what has motivated you to take up Actuarial professional course.**

As a professional, you consistently need to upgrade your skills to meet the demands of industry. In the life insurance industry, the actuarial course does exactly this. Being a business where profits on business sourced today are seen with a significant time lag, the ability to understand and work with long term financial and economic risks is essential. In addition, given the current industry and economic scenario, an understanding of

risk assessment and management is increasingly important for which the Actuarial Profession is ideally suited.

### **How many hours of study on average per day did you put in to top the ACET result where in 1,663 candidates appeared?**

More than the number of hours, I tried to ensure consistent and regular effort. Studying time would have been an average of an hour a day.

### **What do you think you can add value to the Actuarial Profession?**

I have worked on projects with multiple functions as a part of the Business Intelligence Unit. This would help me bring a broader view to the Profession. A combination of actuarial skills and an understanding of others functions would help facilitate decisions that would promote organizational objectives while minimizing financial risk.

### **Any message for the students wanting to take up the ACET in future.**

It is a very interesting and relevant field of study, in India, as well as worldwide. Increased worldwide regulatory focus on BFSI industries requires will increase the demand for high quality resources in the Profession. I would like to wish all students the best.

### **Any comments on your experience with ACET process.**

The ACET process is clear on its objective, provides relevant guidance and ensures that pre-requisite skills are evaluated fairly. The entire process from registration to results is straightforward and easy.



(L-R) Arjun Nagal, N. K. Parikh, J. Hari Narayan

## IAI STUDENT EVENT

by Colin O'Hare

The 19<sup>th</sup> – 21<sup>st</sup> February saw the 14<sup>th</sup> Global Actuarial Conference hosted by the Institute of Actuaries of India (IAI) and held at the Mumbai Convention Centre, Mumbai. In response to student feedback, this year saw the first time that an event was held specifically for the students of the IAI and UK academics Colin O'Hare from Queens University Belfast and Pradip Tapadar, from the University of Kent discussed examination technique, study technique and potential career paths for student actuaries. Around 200 students attended the event and there were many questions around methods of study and how to be successful in examinations.

The Indian actuarial profession is in a rapid growth phase and there are many students actuaries with a relatively few number of qualified actuaries. Students currently study for actuarial qualification using written ActEd material but lack any form of tutorial support, either face to face or via distance learning. During the session a table outlining the way in which people learn was shared with the students to help them think about how they might be more efficient with their study time. In particular it was shown that study via reading and seeing material is a relatively inefficient way to engage with the learning process. On the other hand it has been found that engaging with concepts through implementation and through teaching material is much more efficient way of understanding the new concepts. The following table was discussed:

Most people learn :
10% of what they read
20% of what they hear
30% of what they see
50% of what they see and hear
70% of what they talk with other
80% of what they use and apply in real life
95% of what they teach someone else

Currently with acted material support, most Indian students are studying by reading notes with some application through question practice. They are in effect learning at the lower less efficient levels. Without a strong level of tutorial support the students have a limited

opportunity to discuss with practitioners how the theory might be implemented and given the geographical location and young nature of the profession in India it may be difficult for this to be addressed in the short term. An alternative to engage with material in a more interactive way may be the use of online tutorials delivered by practicing actuaries in the form of video and audio lectures to which students could subscribe and listen to at their own pace and at a time that suits them. This idea was discussed and conversations with the IAI are in progress. As an alternative method to engage with materials in a more interactive way it was suggested that students take advantage of the fact that many of them will be sitting for the same examinations at the same time. Establishing study groups of students on the same examination has worked very well in the UK and could also work well in India. Groups of students



(L-R) Pradip Tapadar, Colin O'Hare

studying for the same examination meet regularly to discuss the concepts coming up in the examination and consider how they might be applying some of the material in practice. In some cases this would be easily done (the concepts in CT1 and CT5 for example are being applied in the pensions and life arena) but for others this might be more difficult



### About the Author



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Colin O'Hare is an actuary and academic having worked in the pension consulting field for around 10 years before joining Queens University Belfast in early 2008 as the program director of the BSc in actuarial science and risk management. He is founder and president of SoNIA a Northern Ireland society of actuarial practitioners and students tasked with facilitating student employer engagement as well as growing the local actuarial market.

(CT4 or CT7 for example). In this way students would be able to bring together the two sides of an actuarial student's life - study and practice. As a final suggestion for improving study efficiency it was suggested that students could select a particular section or objective and teach the concept to the rest of the study group. By teaching the material the student is encouraged to confront any areas of weakness in their own understanding first before teaching it to their peers. This improves their own engagement with the material whilst at the same time offering a second view of the concept to their peers. The session ended with some discussions of career paths and questions and answers.

In summary I believe that the Indian Actuarial Profession has come a long way in educating their actuarial students but still has some way to go in supporting and mentoring their younger members through the numerous pitfalls that are the qualification process of the actuary.



# COACHING ST4 STUDENTS AND A VISIT TO INDIA

by Ian Rogers

**W**hen the opportunity came up to tutor a revision class in Mumbai for the ST4 pensions exam, I jumped at the chance.

The IAI was keen to offer a class for students preparing for either the IAI or the UK exam, and the opportunity was offered to members of the UK profession to tutor this. My "day job" is as a Scheme Actuary for Aon Hewitt advising UK pension schemes, but a couple of years ago, I'd visited Yerevan in Armenia to coach a CT1 course, and I was keen to do some more tutoring.

I had not been to India before, so I was looking forward to combining the tutoring with seeing some of the country. When I mentioned this visit to a colleague, I then found out that the GCA was being held in Mumbai shortly before when I would be there for the tutoring. "Would you like to attend? Would you like to present a session?" Of course!

I also arranged to visit the Aon Hewitt office in Gurgaon, where we have recently recruited a team to support UK valuation

work. This gave me the opportunity to meet the team, and help with some of their training.

So I left the UK just as the February snow was melting, and arrived in the heat of Mumbai a couple of days before the GCA. The Conference was very interesting. It was great to start with a celebration of those qualifying – I loved the family videos! – and to see the dance performances. The main Conference then covered a broad range of different topics. It was good to learn about the challenges and opportunities in the market in India and elsewhere.

At the end of the GCA, I flew to Delhi for three days in our Gurgaon office, followed by a day at the Taj Mahal, and a day touring Delhi. Amazing.

And then back to Mumbai for the tutoring. The tutoring itself was a mix of revising key parts of the syllabus, and working through lots of past questions. We got through about 4 papers worth of questions in the 5 days, including a full mock exam. We also talked about what I

## About the Author



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Ian Rogers is an actuary and benefits consultant working for Aon Hewitt in St Albans, UK, and is a member of the Education Committee of the Institute and Faculty of Actuaries.

think the examiners are looking for from candidates: including showing a breadth of understanding of the subject, and an ability to write extremely fast for three hours!

One evening I had the honour of meeting with Liyaquat Khan for dinner. Then at the end of the course I had a bit of time before my flight to have an evening in the centre of Mumbai. In fact, I wish I had had more time – I left plenty of places to visit if I come back to India in the future.

I'd like to thank the IAI, and Guraraj Nayak for all the arrangements, and looking after me so well while I was in India. And of course wish the best of luck in the exam to the students in my class!



## *Farewell*



It is with mixed emotions that I write this note. I have accepted a position at a charitable hospital and have decided to move on. I have enjoyed my time here at IAI and will miss all my colleagues. I would like to take this opportunity to express my sincere appreciation to our president Mr. Liyaquat Khan specially, under whose guidance I have learnt a great deal.

Thank you all for your support, insights and help you have provided me over the past one year.

Merin Thomas

## *WELCOME*



Ms. Manmeet Kunnar has joined on 1st March, 2012 as Executive Assistant to the president. She is commerce graduate and carries 7 years of experience. Her hobbies include music, travelling & yoga.

We welcome Ms. Manmeet Kunnar to the family of Institute of Actuaries of India. Manmeet can be reached at ea@actuariesindia.org, ph: 022 6784 3301.

IAI Management

# COACHING ST2 (LIFE INSURANCE) STUDENTS

by Marjorie Ngwenya

## About the Author



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Marjorie Ngwenya is a Fellow of the Institute and Faculty of Actuaries in the UK. She was until recently the editor of The Actuary magazine in the UK.



I was honoured to be able to serve the actuarial profession by volunteering to coach ST2 (Life Insurance) students in Mumbai, at the invitation of the Institute of Actuaries India. The course was set up for the benefit of students who have taken the examination previously and were close to achieving a passing grade.

The students and I spent four and a half days at the Institute of Insurance in Mumbai, refreshing knowledge of the Core Reading and practising examination questions. As an Assistant Examiner for the same subject on behalf of the UK Actuarial Profession, I believe I was in a good position to share some tips on what makes scripts easier to mark and how simply writing clearly and explaining one's points could be beneficial.

While the objective of the course was for me to teach, I also learnt a significant

amount about the Indian insurance industry which has many similarities to that in Europe but is subject to some unique regulatory conditions. The students were good at drawing parallels with their own local situation and exploring how different regulatory requirements might impact upon approaches to valuation or pricing of insurance contracts.

Initially the students were hesitant to revise bookwork, believing that the true value lay in practising exam techniques. We persisted with the revision work nonetheless. When we began the exam question practice, after a few hours it became evident that knowledge of the bookwork was fundamental to providing a complete and well-structured answer to many of the questions.

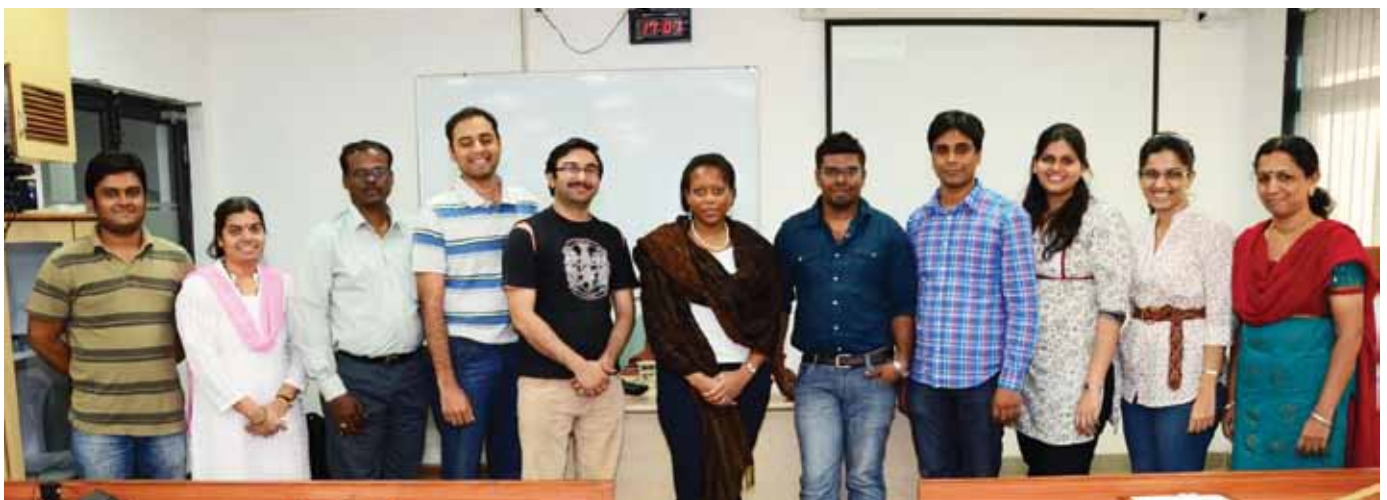
While some students were preparing for the UK examinations, all were entered

to sit the Indian examinations which are based on the same reading material. There were concerns expressed about the differences in marking approach between the two countries however they acknowledged that detailed knowledge of the course would invalidate these concerns in the long run. Some students are hedging their bets by taking both exams – an expensive but well justified approach I am told!

I had a brief but extremely enjoyable visit to Mumbai, with excellent hospitality from all those I encountered. I will particularly miss the fantastic cuisine and sunny days.

I wish all the students luck in the upcoming examination diet and I hope that they will write and let me know about their success!

My thanks go to the Institute and Faculty of Actuaries, the Institute of Actuaries India, Munich Re (who partly sponsored my costs) and in particular to Gururaj Nayak, Sandeep Mahajan, Merin Thomas and Liyaquat Khan.



# IAA ADOPTS PRINCIPLES OF PROFESSIONALISM FOR ITS MEMBER ASSOCIATIONS

IAA news release, 17th February, 2012

The International Actuarial Association (IAA) has taken another important step towards promoting the quality of actuarial practice globally by unanimously adopting a set of Principles of Professionalism for actuaries who are members of the IAA's Full Member associations.

These principles will provide guidance to many aspects of the work of the IAA, including education, codes of professional conduct and the development of standards of actuarial practice, and may also be used by Full Member associations to provide professional guidance to actuaries in their own jurisdictions. These principles were developed by the Professionalism Committee of the IAA and presented to the IAA Council in October 2011 before being unanimously approved,

on January 23, for adoption by its Full Member associations.

The development of the principles is in accordance with the IAA's Strategic Plan that includes the following objective:

*Establish, maintain and promote common standards of actuarial education and common principles of professional conduct. Promote the development and issuance of actuarial standards in the jurisdictions of all Full Member Associations, and the global convergence of actuarial standards.*

The principles encompass the following core principles:

- Knowledge and expertise: "An actuary shall perform professional services only if the actuary is

competent and appropriately experienced to do so."

- Values and behaviour: "An actuary shall act honestly, with integrity and competence, and in a manner that fulfils the profession's responsibility to the public and upholds the reputation of the actuarial profession."
- Professional accountability: "An actuary shall be accountable to a professional actuarial association or a similar professional oversight organisation."

The IAA will now embark on specific actions, in collaboration with its member associations, which will endeavour to embed these principles in the work being done within the IAA itself and within the global actuarial profession.



## CAREER OPPORTUNITY



**Applications are invited for the following position in Canara HSBC Oriental Bank of Commerce Life Insurance Company Ltd., Gurgaon**

**Position Title: Sr Manager - Actuarial**

**Job Summary:** This role is expected to be very dynamic in terms of quantifying, monitoring and providing solutions for the mitigation and management of the various risks faced by the company along with developing the Economic capital / Solvency II framework for the Company. This person would report into Head - Risk and Modeling Team.

### Skills Required:

- Good understanding of Actuarial concepts and financials
- Good communication and managerial skills, pro-activeness
- Good in building Excel models/Automation, analytical skills
- Good Hands-on knowledge of Prophet
- Prior experience on ALM / Economic Capital will be an advantage
- 10+ papers (knowledge of ST2 advantageous)
- 4-5 years of relevant work experience

### Key areas of work:

- Monitor company's ALM framework
- Develop risk mitigating strategies for various risks taken on-board
- Carry out Solvency & Liquidity projections
- Quantify the impact of various Financial Stresses
- Carry out Risk Related reporting to the Regional office/IRDA
- Experience analysis
- Economic Capital reporting

### Apply to:

Email ID - pooja.singh@canarahsbclife.in

**Canara HSBC Oriental Bank of Commerce Life Insurance Company Limited (Regd. No. : 136)**

**Corporate Office:** Unitech Trade Centre, 2nd Floor, Sushant Lok, Phase-1, Sector-43, Gurgaon - 122009, Haryana, India



## FROM THE DESK OF CHAIRPERSON -

### ADVISORY GROUP ON COMMUNICATION (AGC)

**Sunil Sharma, MSc. FIAI, FIA**

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In my last communication with you via “Actuary India”, I took the opportunity to take you through how GCA was started in 1999 and further a brief of what preparations were on to ensure the success of the 14<sup>th</sup> Global Conference of Actuaries.

of the Indian Actuarial Profession etcetera?

In this column, I would like to brief you on our experience with media and PR agency during the 14<sup>th</sup> GCA. One thing that I have learnt during my interaction with Media, whether it's print, TV or

comments in various different ways You, having said the same thing may find reported differently by different reporters. It is what gets carried out which the public read is the ultimate result. Therefore your skills in articulated communication is always at test when you interact with the media.

During the 14<sup>th</sup> GCA we had hired Hanmer MSL for a reasonable fee to manage the media. The invitations for the event were sent by the PR agency on behalf of President IAI to all major national dailies, TV News Channels and digital media. It was also decided to send the invitation letter directly to key media persons on behalf of chairperson, Communication Advisory Group ie myself.

We received exceptionally positive response from media houses. More than 50 reporters landed in at Hotel Renaissance on the first day 20<sup>th</sup> February, 2012. The reporters were very enthusiastic about this event since it gave them an opportunity to interview and interact with the leaders of not only Indian but global insurance industry.

The main attraction for the media was



The 14<sup>th</sup> GCA is over and there is a lot that happened during this event. A significant proportion of the members have not had the opportunity to attend this event. This issue of Actuary India provides glimpses of the 14<sup>th</sup> GCA from various contributors. Similar to last year, the profession shall also be conducting surveys to collect feedback from the members and in particular from members who attended the 14<sup>th</sup> GCA. The objective of the survey is obviously to check the pulse and find answers to some of the questions like; did the event help as a step in moving towards meeting the vision and mission of the Indian Actuarial Profession? What are the top three or four topics that were liked by the attendees? What alterations, if any, could be made to the format of the GCA to achieve the objective of globalization

digital, is they are prone to put the words into your mouth and have the ability to give a completely different perspective to your comments. Therefore, it's extremely crucial to think of the words that you are going to use in making your comments. If you are not articulate enough, they could land you in trouble by interpreting your



Well, overall I am pleased with the outcome of the efforts made by the Communication Advisory Group in making some contribution to the Indian Actuarial profession in its step towards meeting its vision and mission.



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14<sup>TH</sup> GCA – PRESS COVERAGE

Sr No	Publication	Date	Headline
<b>Print Coverage</b>			
1	Times of India	21.2.2012	Halve life cover to ratio premium under DTC to 10: IRDA (Quote by Mr. Khan)
2	The Hindu	21.2.2012	Move to let insurers invest in derivatives (Quote by Mr. Khan)
3	Deccan Herald	21.2.2012	IRDA Plans e-platform to bolster transparency (Quote by Mr. Khan)
4	Financial Chronicle	21.2.2012	IRDA plans electronic reinsurance platform (Quote by Mr. Khan)
5	The Economic Times	21.2.2012	Bancassurance deals with have to pass IRDA muster
6	Business Standard	21.2.2012	IRDA to give more hedging options to life insurers
7	Business Standard	21.2.2012	IRDA frowns on PNB to buy 30% of Metlife for Re 1
8	DNA	21.2.2012	IRDA moves to fix life cover anomaly
9	Hindustan Times	21.2.2012	Low cover policies should be eligible for tax deductions
<b>Online Coverage</b>			
10	Times of India.com	21.2.2012	Health, home and vehicle insurance set to cost more
11	Times of India .com	21.2.2012	IRDA seeks changes in level of cover on life policies
12	The Hindu.com	21.2.2012	Move to let insurers invest in derivatives
13	Hindustan Times.com	21.2.2012	Low-cover policies should be eligible for tax deductions: IRDA
14	DNA .com	21.2.2012	IRDA moves to fix life cover anomaly
15	deccanherald.com	21.2.2012	Irda plans e-platform to bolster transparency
16	Indian express.com	21.2.2012	Irda plans to introduce electronic re-insurance platform
17	Economictimes.com	21.2.2012	Irda plans to introduce electronic re-insurance platform
18	Economictimes.com	21.2.2012	Irda hits out at finance ministry over broker fee paid by reinsurers
19	Economictimes.com	21.2.2012	Bancassurance deals will have to pass Irda muster
20	Businessstandard.com	21.2.2012	Irda to give more hedging options to life insurers
21	Businessstandard.com	21.2.2012	Irda frowns on PNB plan to buy 30% in MetLife for Re 1
22	Businessstandard.com	21.2.2012	Irda set to revamp packaging of life insurance products
23	Mint.com	22.2.2012	Bancassurance deals may face regulatory scrutiny
24	Moneylife.com	22.2.2012	Rethink on Single Premium
25	Moneylife.com	22.2.2012	Insurance web aggregators struggle to remain in business
26	Smartinvestor.in	21.2.2012	Irda to give more hedging options to life insurers
27	Café mutual	21.2.2012	IRDA proposes changes in DTC, media reports
28	IndiaInfoline.com	21.2.2012	India is emerging as a global hub for Actuarial outsourcing activities
29	IBN Live.com	21.2.2012	Irda plans to introduce electronic re-insurance platform
30	postnoon.com	21.2.2012	Insurance portability yet to catch up
31	yourmoney.com	22.2.2012	IRDA versus LIC?
32	Prlog.com	21.2.2012	Meeting the Challenges of the Change as an Opportunity at the 14th Global Conference of Actuaries
33	Capitalmarket.com	21.2.2012	The IRDA Chairman emphasized on the increasing need for strengthening the skill set of actuaries in India, particularly in the area of general insurance
34	Today.in	21.2.2012	IRDA seeks changes in level of cover on life policies
35	Indiaprline.com	21.2.2012	Meeting the Challenges of the Change as an Opportunity at the 14th Global Conference of Actuaries (GCA)
36	News-views.in	21.2.2012	Bancassurance Deals under Tighter Scrutiny Post Faulty Incidents
37	IndiaInfoline.com	21.2.2012	IRDA seeks changes in provisions of DTC:
38	icallinsurance.com	21.2.2012	Change in single-pay plans on cards: Irda
39	insurancedetails.in	21.2.2012	Irda plans to introduce electronic re-insurance platform
40	MSN.com	21.2.2012	Irda plans to introduce electronic re-insurance platform
41	myeasypolicy.in	21.2.2012	Irda set to revamp packaging of life insurance products
42	koiy.com	21.2.2012	Bancassurance deals will have to pass Irda muster: J Hari Narayan
<b>Electronic Coverage</b>			
43	Ndtv Profit	20.2.2012	Interview of Mr. J Harinarayan
44	CNBC Awaaz	20.2.2012	Interview of Mr. J Harinarayan
45	Zee Business	20.2.2012	Interview of Mr. J Harinarayan

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## Shilpa's Puzzles

### Puzzle No. 169:

While playing unattended one day, Thomas decided to build larger cubes out of a box of individual sugar cubes. So, emptying out the box onto the floor and using the sugar cubes as if they were building blocks, Thomas made three larger, solid cubes, with no sugar cubes left over.

At this point the family dog bounded into the room and sent the sugar cubes flying in all directions. The dog then picked up one of the sugar cubes in the mouth and left, crunching noisily.

Knowing he would be blamed for the mess if he didn't clean up it up, Thomas picked up the remaining sugar cubes. Once he had done this, however, the

temptation to keep playing with them proved too strong, and he began building again. This time he built two cubes rather than three, and again no sugar cubes were left over.

What is the smallest number of sugar cubes that could have been in the box when Thomas started playing with them?

### Puzzle No. 170:

What word, expression, or name is depicted below?



### SOLUTIONS TO PUZZLES:

#### Puzzle No. 165:

This number system is with base 8.

Answer: 214

#### Puzzle No. 166:

The numbers are the numbers on the telephone as shown here:

ABC DEF GHI JKL MNO PQRS TUV WXYZ  
2 3 4 5 6 7 8 9

A left slanting stick before the number indicates that the left-most letter of that grouping is the letter to be used. If the stick is slanted towards right, the right-most letter is the choice. Numbers that are straight represent the center letter.

The note says," Went to buy a new phone".

Correct solutions were received from:

#### Puzzle No. 165:

1. Kailash Mittal
2. Prasham Rambhia
3. Saraswathi S.

#### Puzzle No. 166:

1. Anshul Sood
2. Vasudha Ramachandran
3. Gurleen Kaur
4. Sudhanshu Kalsotra
5. Sanjeev Gupta
6. Jitesh Borkar




shilpa\_vm@hotmail.com

## Quotable Quotes

Exert your talents,  
and distinguish  
yourself, and  
don't think  
of retiring from  
the world,  
until the world  
will be sorry  
that you retire.

SAMUEL JOHNSON



**Many Happy Returns of the day**  
the Actuary India wishes many more years of healthy life to the following fellow members whose Birthday fall in **March 2012**

<b>R. C. Chadha</b>	<b>S. Krishnan</b>
<b>G. Chidambar</b>	<b>H. C. Mehta</b>
<b>K. K. Dharni</b>	<b>Mark Edmund Turner</b>

(Birthday greetings to fellow members who have attained 60 years of age)



### Chief Actuary – Life

### Indonesia

Global European insurer seeks a qualified life actuary to lead and grow a large actuarial function in its quickest growing region. Huge opportunity on offer though European reporting skills required (EV, EEV, MCEV or IFRS)

### Chief Actuary – Life

### Malaysia

Leading European insurer seeks an experienced actuary to oversee an entire actuarial function, a team of eight. You will need strong technical knowledge of EV reporting as well as prior products experience.

### Head of Business Strategy – P&C

### Singapore

Leading Reinsurer seeks a qualified actuary with 10 years plus experience to get heavily involved in deal work structuring product and ART. Strong reinsurance, DFA & ART knowledge and good communication skills required.

### Regional Director – Life

### Hong Kong

One of the leading life insurers in Asia seeks a qualified life actuary with EV reporting, IFRS GAAP or US GAAP to join their regional office. You will manage a small team overseeing the reporting of the local APAC offices.

### Deputy Head of Internal Audit – Life

### Hong Kong

Global insurer seeks a life actuary with wide experience to lead audit projects across APAC (EV, EEV, IFRS, Solvency II, ALM skills ideal). The role is a succession plan for the “Head of” position. Strong communication skills essential.

### Head of Actuarial – Life

### Malaysia

An opportunity to lead a ‘Centre of Excellence’ team overseeing best practice for the entire Asian region. A rare opportunity in Malaysia. Requires strong reporting skills in EV, EEV, MCEV or IFRS. Any language skills a plus.

### Solvency II Actuaries – Life

### Hong Kong

My client is looking for numerous actuaries with Solvency II experience to work on Pillar I. The roles will evolve into FRM positions either within the regional office or local business units across APAC. Prior Solvency II essential.

### Senior Manager – Life

### Indonesia

Exciting opportunity for an entrepreneurial actuary to join a famous brand in Jakarta. Roughly 6-10 years’ experience required, knowledge of MCEV, IFRS or risk management required. Malaysian or Indonesian language skills essential.

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To see whether a risk poses a threat,  
don't we have to see the big picture?

The future is like an iceberg. Most of the time what we can see before our eyes is only half the story. So how do we know the unknowable? Only those with relentless drive, expertise and foresight can see the whole picture — the risk that lies beyond. At Munich Re, seeing more is what we do. We work in interdisciplinary teams, each pair of eyes viewing something from a different perspective, all focusing on the best solution. With our worldwide network we can pinpoint complex global patterns when they arise. When it comes to grasping our future, we are never satisfied with half the story.

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