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the **Actuary** **INDIA**

INDIAN ACTUARIAL PROFESSION
Serving the Cause of Public Interest

THE MAGAZINE OF THE INSTITUTE OF ACTUARIES OF INDIA

VOL. VII • ISSUE 2

FEBRUARY 2015 ISSUE

Pages 20 • ₹ 20



For Private Circulation Only



Institute of Actuaries of India

ACET

Actuarial Common Entrance Test

ACET

June 2015

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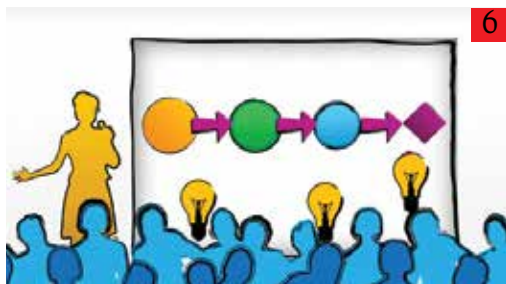
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Printed and Published monthly by Gururaj Nayak, Head - Operations, Institute of Actuaries of India at ACME PACKS AND PRINTS(INDIA) PRIVATE LIMITED, A Wing, Gala No. 55, Ground Floor, Virwani Industrial Estate, Vishweshwar Nagar Road, Goregaon (E), Mumbai-63. for Institute of Actuaries of India : 302, Indian Globe Chambers, 142, Fort Street, Off D N Road, Near CST (VT) Station, Mumbai 400 001. • Tel +91 22 6784 3325 / 6784 3333 Fax +91 22 6784 3330 • Email : library@actuariesindia.org • Webside : www.actuariesindia.org



FROM THE PRESIDENT'S DESK

Mr. Rajesh Dalmia

Dear Members,

We just concluded 17th edition of Global Conference of Actuaries. Some of you would have been there along with 700 delegates. It has been a fantastic event for learning and networking. I have got quite positive feedback on the same along with a few suggestions. The purpose of any such event is to further the research and also enable networking among the participants. So, it is important to bring balance between the two objectives. We increased the number of concurrent sessions this year and we would continue this trend in future to bring back the balance.

Some of you who were present at the seminar would have heard me outlining the things that are on the cards. I would take this opportunity to highlight some of the key aspects of the strategy. It is a known fact that India lacks qualified actuaries. Yes, today we produce nearly 30 qualified actuaries in a year and yet that is not enough. After 15 years of opening of Insurance sector our membership has just gone up from 220+ to 280+. I do hear that there are no opportunities or no jobs for actuaries. I disagree to that. Not long ago, I used to hear the same when we used to produce 4/5 actuaries in a year. There is shortage and it is a matter of concern. US have 22,000 actuaries in a population of 320 million and yet I understand that US has shortage of actuaries and more than thousand vacancies exists. Now that actuarial skill set is in demand beyond traditional fields, this shortage is going to exist for long.

In the profession, we need to address this and there cannot be an easy solution to this. There has to be a multi-prong approach to this issue. We need to facilitate our members who are stuck with the

exams. The Institute would hold coaching classes for students so that they can clear the papers faster by learning from experienced actuaries. I would request you to take advantage of these initiatives and qualify as a fellow at the earliest. The coaching classes for SA2 and SA3 are already announced. The students who fail should get counselling opportunities so that they can learn from their mistakes. We have made counselling available from CA to SA levels for all papers so that students can clear the papers faster. I would request you to take advantage of these initiatives. Please note that counselling can also be taken on phone in case you are unable to travel.

At SA level, student faces a lot of difficulty due to lack of study materials. Institute would focus on the same so that we can create our own study material which would make it easier for future students to appear for SA papers. However, at this level of examination, a student is expected to go beyond the study material even though we may bring out with a comprehensive study material.

Of course, we need to attract the right talent with potential to qualify as an actuary. Therefore, there is a need that it should be marketed to the right students so that we attract right talent. Besides, the entrance exam should be such that it filters and allows right candidates who are likely to become an actuary. We currently have large number of students (though not qualified actuaries where short fall exists) and not all of them can be employed in the traditional actuarial field. Therefore, many of them end-up in broader fields and it is required as actuaries need to be involved in the broader areas, going beyond the traditional ones. It is important that we

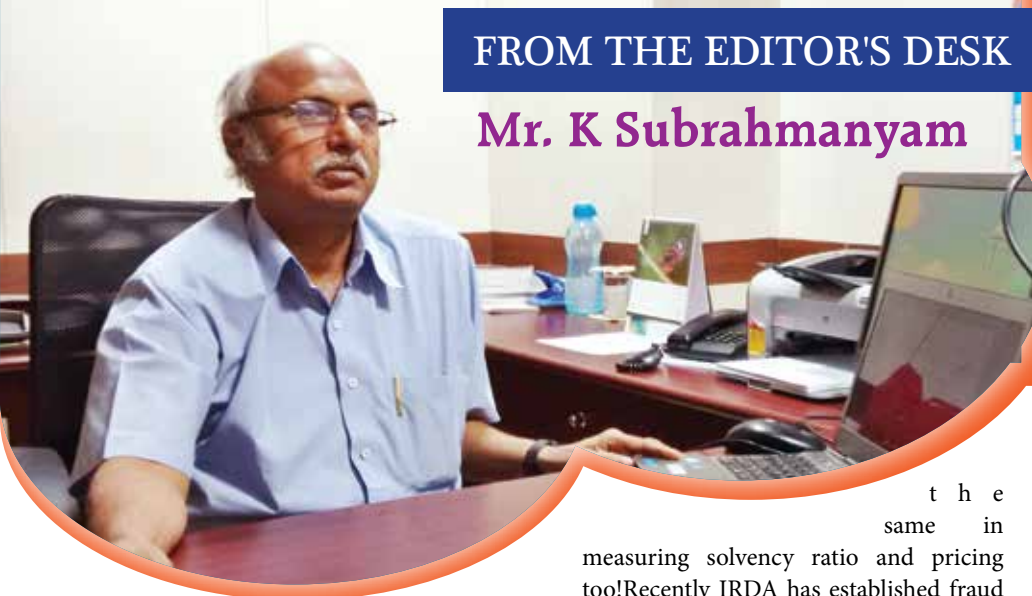
recognize broader areas where an actuarial student is likely to work and future actuaries are likely to be employed.

We need to focus on professionalism. Many of the professional standards were drafted more than a decade ago and it is important that they get reviewed more often. Other professional bodies across the world do undertake such reviews periodically. It is a high time that we not only undertake such a review but also introduce standards for various other issues facing appointed actuaries and other practicing actuaries. You would see more action in these areas in the time to come. The draft on CPD scheme is out and we welcome your comments on the same. Very soon we would announce an interim version of CoP scheme which would undergo further changes after a detailed review.

I argued last month that this is the year of change. True to that spirit, it is the first time we saw the regulator, IRDAI, convening a joint meeting of CEOs and IAC to take their views before releasing the draft regulations for public comment. We, at the Institute, welcome this initiative and congratulate the chairman, Mr. Vijayan, for such a nice initiative. This is imperative that the regulator takes the view of the industry and other stakeholders before drafting such regulations.

I am lucky to be here in this era of change across the world. This is an interesting phase of change where the impact of technological revolution is greater than the industrial revolution. This would also impact the actuarial profession and it will undergo significant changes in the future. Let's hope that we adapt to these changes.

Mr. K Subrahmanyam



Some people do in general insurance, e.g. 'own damage' claims. If there is a small scratch on bayonet of a car, the owner damages his bayonet using blunt objects and proves that this happened due to an accident, and prefer claim against insurer. Insurer does not investigate each claim and generously pay the claims. 'No claim bonus' policy is a remedy to some extent.

People have innovative ideas to make frauds. Desire to make fraud is a seed in an individual's mind. It is sown grabbing opportunity. Mr S saw neighbors' VCP [Video cassette player]. S wants to have the VCP. He has no cash. Now Mr Shatches a plan to buy the VCP. He goes to a bank for a loan with forged documents. The bank gives the loan to him after due diligence, the cheque in the name of vendor. He got the check into cash through a broker who is an expert in cashing such checks. He, of course, has to share some money with the broker. He used the bank loan money to buy the VCP in cash. Of course, later Mr S did not pay the loan installment to the bank and changed his residence. Bank tried and failed to recover the loan, and ultimately the loan account was closed as bad debt in the records of the bank. In insurance, forged documents are created showing age proof, income proof, medical reports—which look like originals. Insurers will be forced to pay the claims by death, later.

Therefore it is necessary for actuaries to understand frauds and get involved with business analytics and do good work to minimize such risks faced by the insurers. Figures do not lie, liars figure! Be an expert on ERM!

the same in measuring solvency ratio and pricing too! Recently IRDA has established fraud committees to do something.

Frauds can go unpunished due to want of time or importance. Somebody in the office takes home office stationery. In a survey of 2000 employees conducted several years ago by Kelly Services, one in four Australians admitted taking home (and keeping) minor stuff that belonged to their employer. It's not as chronic as other parts of the world, such as the United States, where three in four people

Enterprise Risk Management

Hope all of you enjoyed the yearly function—GCA. We await your feedback. Please visit our Institute's website and participate in the survey on the GCA. I express my gratitude to all speakers for their excellent papers and thank all the delegates for their support. Special thanks to all sponsors for making GCA fruitful. I would like to congratulate Ms. Das, the actuary and an excellent singer, who entertained in the Pre-dinner event. If you have exceptional talents in singing, dancing, and other activities of public interest to entertain, please let us be informed.

This time I am covering 'frauds and actuary' for ERM. Frauds are part of business. Frauds start in the minds of individuals. Purpose of fraud is to gain or destroy someone else's business. Generally these individuals will be clever and mischievous. Actuaries have been seeing, watching and analyzing frauds. An actuary is required to take into account of

honestly declare their dishonesty. Apparently, the worst offenders are men with tertiary qualifications.

Read more at: <http://www.smh.com.au/small-business/blogs/work-in-progress/are-you-an-office-thief-20120621-20qu7.html#ixzz3QBocPaknI>.



MANY HAPPY RETURNS OF THE DAY

the Actuary India wishes many more years of healthy life to the fellow members whose Birthday fall in **February 2015**

HANUMANTHA K. RAO

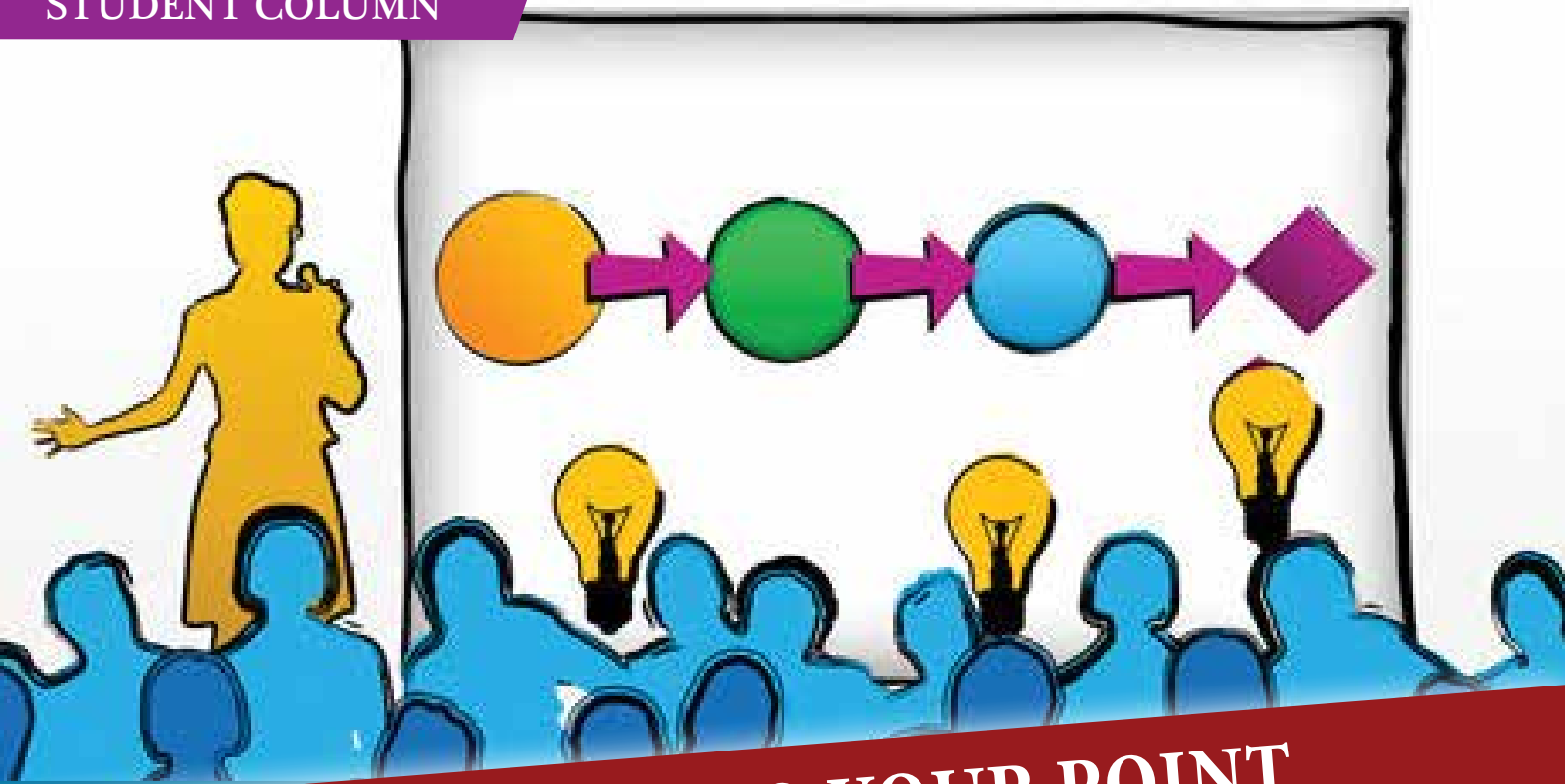
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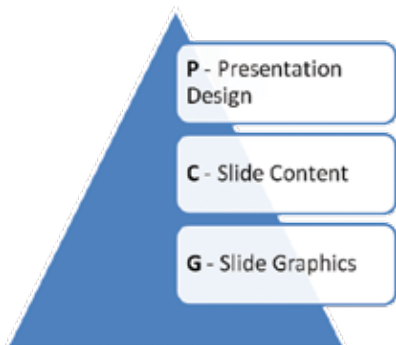
M. VENKATESAN



ADD POWER TO YOUR POINT

Today most lectures and academic addresses are delivered with a presentation in the backdrop. Appropriate presentation content is necessary, but the structure and packaging even the more. Presentations have the uncanny attribute of being passed on in the future; the presenter's speech is not. Such a potent tool needs to be tended with care. This article attempts to share tips on structure and packaging of presentations to an actuarial audience.

A useful start is the **PCG** Step.



P - Presentation Design

It is helpful to plan the design of the presentation before creating slides. List

the agenda items to appear in a smooth flow. These pull the audience's attention and set the foundation to the presentation.

C - Slide Content

Make notes of contents in each sub-header by considering the wording length. It should be short, precise and visible. Overfilling your presentation with text will do more harm than you can imagine.

G - Slide Graphics

Often people fall into the trap of loading each slide with colorful graphics, dancing headers and nifty animation. This could defeat your purpose and you will only end up entertaining your audience.

It is important to maintain balance between displaying **Contents** and **Graphics** of slides; too much content will lead to overfilling and too much graphics will ruin the purpose. Restrict to such text which needs to be communicated through PPT, rest can be verbally communicated.

Examples include a) Converting paragraphs into a brief summary, and b) Keeping at least 60% of the slides blank. Remember that open space also conveys expanse!

- **An 'agenda slide':** This is essential to lend structure, and the audience

will know what to expect and for how long. Using SmartArt, you can create an agenda slide and to make it more attractive, keep highlighting sub-headers each time whenever you jump to next sub-header in your agenda structure.

Helpful
Tips

- **Slide Master:** As the nomenclature suggests, this slide is a master of all the slides. You don't have to edit each slide's font, theme, background style, footer and/or add page number, logo (if you want to place somewhere on the slide) on each slide. However, by structuring and designing Master slide you can have all these features on each slide as per your master slide, which as well saves your time.
- **An image speaks louder than words:** The first slide should have a powerful image to represent your subject. After all, a picture can paint a thousand words, but a word of text is just that - one word. Use images occasionally and carefully to denote particular sub-headers in your slides.

The downside of a badly chosen image cannot be overstated: deter from inserting an image when in doubt!

- **Slide Title:** The title should be at least 35-40% larger in font size than the body.
- **Contrasting Colors:** If the audience should get attracted to the content, be generous with the contrast between the text color and the background color. Any combination can be preferred: light background and dark letters or dark background and light letters.
- **Use graphics instead of just texts:** Instead of using slides that only contain text use SmartArt, Images, Clips, shapes and graphs to engage the audience.
- **Pointer on the slide:** To use the mouse as a pointer, press the combination CTRL+P.
- **Key that enables eye contact:** This is a tool when the presenter wishes to stress eye contact. By pressing the alphabet (B) or period key (.) on the keyboard, the screen will turn black and the presenter can communicate points to the audience. Do not underestimate the effect of eye contact in communication.
- **Footer:** The footer can be effectively used to convey a core message in each slide. Make sure your Footer is not crowded. Often when the ownership or copyright of your year 2015 work needs to be emphasized, a footer 'Copyright © 2015' is appropriate.
- **To create backdrops:** Go to Design Tab (in Power Point) → Background Style → Format Background → Fill → Select Picture or texture fill → insert picture from file. The right backdrop can deliver a tremendous message.
- **Actuarial or mathematical notations:** Notation such as summation, limits, right angled cap in endowment assurance cannot be created in PowerPoint. Therefore, the trick is to write in MS Word initially and then be pasted in PowerPoint. Spreadsheets, the actuary's handy

companion, can be embedded in the presentation, so one need not shift across different applications to open a spreadsheet.

- **Avoid Bullets, use Words in Tables (WiT):** People believe that bullets help break up dull text. Wrong! Bullets are dull text. They are unmemorable, unappealing, do not visually lift points from documents and are often incomplete. WiT involves summarizing a point and providing header in the table. WiT gives clarity, impact and immediacy to your thoughts much more than bullets does.

Ref: http://db.riskwaters.com/global/actuary/digital/Actuary_0110_Moon.pdf

Below is the snapshot of a report on business strategy of the XYZ Company. To know in which area the company has planned to work on will only be known by reading all the pointers carefully (Box 1). Box 2 recuperates the same thing but with more insight and much more appreciable as it improves the recall of all the strategies by its header on the left side of the table.

BOX 1: SAMPLE SLIDE USING BULLET POINTS

The five key strategies

- To focus on products and markets where we are or can be in the top three
- Growth – Organic, not by acquisition, unless an opportunity arises to do a deal at acceptable risk-rewards levels
- Building a portfolio of businesses in which we believe there are or will be sustainable and identifiable synergies between them
- Businesses to be invested in selectivity in order to strengthen and build them in their chosen areas of expertise
- Our client-facing operations are to be kept on-shore

Box 2: Slide reformatted as a WiT

What we will do

Market leadership We will focus on products and markets where we are or can be in the top three

Organic Growth We will grow organically, not by acquisition, unless we see a great acquisition opportunity

Synergies We will only include companies in our Group if they have synergies with other parts of the Group

Investment We will invest selectivity to strengthen and build our businesses

On-shore locations We will keep our client-facing operations on-shore

- **Conclusion:** If a succinct conclusion does not capture the intent, much of the work is lost.

Abraham Lincoln had remarked, "I spend only a third of the time thinking what I want to say, but two-thirds on what the audience wants to hear."

The conclusion part should be bereft of bells and whistles rather it should be business-like. In fact, the presentation design surely benefits if the presenter is clear about the conclusions at the outset. Focus on the key pointers you want to send across the participants. Engage participants in the conclusion part with a view to stimulate a discussion.

- **Edit and re-edit:** Review the whole presentation and add to the text relevant visual or audio clips. This will make the information more engaging and easier to understand. Carry out many reviews until satisfied.

Producing effective presentations needs a process and practice. And the one who enjoys the process is likely to deliver a worthy communication.

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Financial Modeling – Anatomy of Actuarial Science



Introduction:

It may be surprising for few to find Modeling & Anatomy being in the same context but the ensuing article is a humble & an earnest attempt to find some similarities between the two in relation to their respective subjects. The article tries to prove, albeit in a generalized manner, that Modeling in Actuarial Science is as important (or unimportant) as anatomy is to medical science.

(i) Starter:

Modeling is a branch in Actuarial Science dealing with simulation of real world situations (although modeling is used in many other financial fields, we are restricting the usage to the field of actuarial studies). Financial modelling is the task of building an abstract representation (a model) of a real world financial situation.

Anatomy is a branch in Medical Science dealing with understanding of the functions of the organs and structures of the human or any biological body. Anatomy is the scientific study of the structure of organisms including their systems, organs and tissues.

(ii) Main Course:

Indispensability:

Both are indispensable for their respective subjects. Without anatomy, medical science would have to just be restricted to giving remedy to smaller ailments. All the different approaches that exists today viz., Ayurveda, Acupuncture, Allopathy, homeopathy, Naturopathy or whateverpathy (humor intended) have **Anatomy as their pivotal points.**

Study of model is the bedrock for all purposes in Actuarial work irrespective of the discipline viz. Life Insurance,

General Insurance, Pension, Health, etc. Without modeling, Actuary would have to restrict oneself into the realm of preliminary level statistics. Most of the advice given by the Actuary invariably depends on Models.

Purpose:

Both the branches provide known solutions to known risks.

Forty minutes walk per day reduces the risk of many ailments that are caused by sedentary life style. In fact, **regular Physical exercise is one the golden rules** that a doctor will consider while advising any patient. **The pivotal point in such advice is an in-depth understanding of anatomy.**

In finance, **Diversification of asset classes** & of different companies within asset classes is one of the **golden rules**. **Although the above assertion is proven by theorems, it is only strengthened & validated through application of Model.** We cannot validate the theorem in real life by asking one investment manager to diversify & other not to. The cost involved in such an exercise would be heavy considering the knowledge obtained from such an exercise.

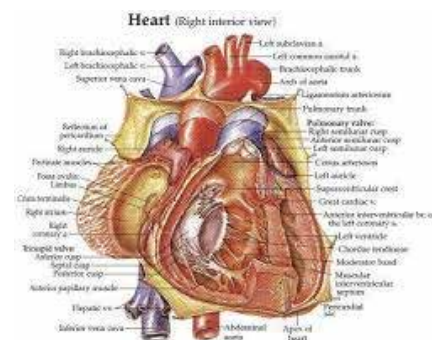
Ailments related to heart are better understood by knowing the linkages from heart to other organs. For example: Sudden sweating may be a sign of imminent heart attack. Clear understanding of anatomy is paramount in **identifying symptoms of heart attacks** since anatomy tells us the effect on other organs from a weak heart.

Similarly, when an insurance product has high Investment guarantees, the product will be subject to more prudence in its parameters while reserving or higher required solvency capital (assuming risk based capital). Higher Provision for Adverse deviation or increase in required solvency capital may be a symptom of mismanaged Asset liability position. Investing in assets with matched timing & lower volatility (ex: moving towards bonds) reduces the risk for the company. This solution is better understood from creating a stochastic model. Further, quantifying the level of reduction of risk is

also possible using the model.

Tangibility:

If someone asks us to imagine an anatomy of a heart, we immediately would go back into our biology class of our school life & envisage this:



Now, if someone asks us to imagine an actuarial model & if we try to go back into whatever we have studied (All CT series papers) & try to imagine any models then we may probably visualize few variables & equations. At the most, if we try to image a picture of a model from our day-to-day work, we may probably get this:

We can see clearly that, at the most, picturisation of an actuarial model is limited to a picture of an excel sheet (on page 9). It is very difficult to visualize a model in real world. It is abstract & amorphous.

While anatomy as a branch is tangible in nature, financial model is intangible in nature. We cannot blame modeling for its intangibility as Modeling derives its intangibility from its link to finance & Actuarial Science which mainly delve into future uncertainties.

Limitations of the usage:

Precise replication/Exact Prediction

Financial Models have been developed which give possible change in future scenario if certain parameters are changed. We have to understand that in real world, the number of parameters is innumerable & the uncertainty involved in parameters **make the precise replication impossible. But Models at least provide a base to understand multiple aspects** affecting future realities in order to take strategic decisions.

Similarly in medical science, development of artificial anatomy which truly replicates

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GUARANTEED EDUCATION TO ALL

There are various Life Insurance products in markets that satisfy almost all needs of the consumers. Products like endowment insurance allow the consumers to save for future and also have a security in case of uncertainty. Like many products there exists a product "TERM ASSURANCE" which is very unique.

Concept behind the Product

A term assurance is a contract to pay a benefit on the death of the life insured within the term of the contract. This product can be used to provide guaranteed education to children.

In India, average cost of education from preschool till Senior Secondary is INR 7,00,000 to INR 10,00,000. Term assurance can be used as a product that guarantees the completion of the education of the child in case of parents' death. This provides a great deal of security to parents regarding their child's education in case of any uncertainty. The premium charged for this type of contract is very low as compared to other products with same benefits. The low amount of premium charged is basically because of the fact that there is no benefit paid in case the policyholder who is parent in this case, survives till the end of the policy.

For a policy whose benefit ranges between INR 7,00,000 to INR 10,00,000, premium ranges between INR 800 to INR 1,200 per annum. Due to low premium, such policies are affordable and serve the need for security for parents of every class of society.

Key Points that makes the Product Attractive

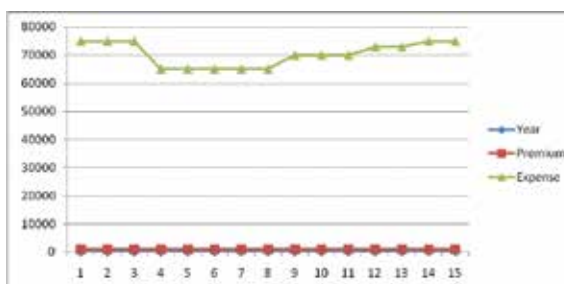
One of the most attractive features of this product is low amount of premium charged. There are many products which allows parents to save for the graduation and post graduation of the child, but this product allows to make sure that their child completes the education till Senior secondary in case of any uncertainty.

Example to explain the Product

A parent aged 30 with a child ready to join per school takes this policy. The policy guarantees to pay for the education expenses of the child in case of death of the parent from the date of death till the

child completes the Senior Secondary (12th) education.

The policy has term of 15 years as this the duration of the schooling of the child. During this period, the premium is paid by the parent until the earlier of death or 15 years. The benefit paid is the monthly education expenses of the child from the date of death of the parent till the end of the contract i.e. completion of child's education. In case the parent survives the whole period of the contract then no benefit is paid at the end of the contract.



Graphical Representation

This graph shows the premium which is INR 1,000 for each year till 15 years. The education cost which is the benefit associated with the product is shown by the green line above. This graph shows that with the premium of just 1,000 this type of policy can cover risk of education which is huge.

Risk for Insurance Company Associated with the Product

There are few risks for the insurance company associated with the product.

Mortality Risk: The main risk for the company associated with the product arises from the mortality. The company assumes the mortality rate for each policyholder at each age. These assumptions are based on the past experience of the company or overall experience in the insurance market. If the actual mortality experience of the company is higher than what was assumed, the company has to pay higher claims than expected and will incur losses on the policies. However, in this particular case, the group that is insured is homogeneous. Thus, the mortality risk is very well diversified and the chances of the company incurring losses due to mortality minimizes.

Withdrawal Risk: In this particular case, as the policy progresses the sum assured

reduces because there will less years left for the completion of education of the child thus less benefit needs to be paid. Due to this, the policyholder has less and less incentives to continue with the policy and pay premiums during the end years of the contract.

Variations in the Product

There can be various versions of such a type of policy. This depends on the policy design. Insurance companies can link the benefits with inflation as education cost is expected to increase in future. A pre-determined constant amount may not be enough to meet the education expenses. Along with Senior Secondary, Insurance companies can provide benefits to cover expenses for Graduation or Post graduation. This will surely increase the premium amount but the Sum assured and Term secured will also increase.

There are various types of insurance products available in the market but using them in an innovative manner will help the insurance market to grow and prosper. It leads to increased trust of policyholders on the insurance companies. These types of policies that serve basic needs like education may act as a social security mechanism for the citizens.

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Pain from loss, pleasure from gain – the cost of risk aversion



We have considered every potential risk except the risks of avoiding all risks

As an actuary, our job involves measuring financial risks and quantifying their impact. We slice and dice every bit of available data to decide the best possible course of action to get the maximum results with minimum risk. But can risk be completely removed – guess no, which led me to pen down this article as to how our behavior towards risk affects us in our daily life (beyond the financial numbers)

What exactly does Risk Averse mean?

”The traditional approach to an unknown risk, whether financial or otherwise, is avoidance”

It is often argued that Indians are Risk Averse. Is it the conformity? Or is it inherent? Or does it creep in with time and situation?

Even our ancient scriptures preach against risk-taking – they speak of *Yudhishtira* who took huge risks in the game of *Chaupar* and lost everything and show how that one incident caused the biggest war of those times. The 2008 recession and India's stable situation in it, relative to other economies, has given us even more reasons to praise it. We shy away from loans, we save for the future, we invest in gold (considering it to be highly rewarding), we build stable personal careers, and we love MNCs.

Most students in India take or are asked to take the conventional path of “medicine” and “engineering” in the lure of assured returns. Reasons might be that India is an emerging economy, not a developed one yet, so a lot of us have seen our parents in constrained financial situations in our childhood. In order to avoid similar difficulties and because continual supply of money is an important factor for us, we

ourselves opt for the conventional “safe” path and avoid the perceived risks in entrepreneurship. Just after this year's 12th ISC results, my “worried” chacha called me enquiring about the courses that his son can pursue. Like a responsible elder sister I guided him and my cousin about the vast range of careers that he can take up and the ‘bright’ future thereafter. Knowing his forte – mathematics, I stressed upon my own course “Actuarial Science” (oh, my pride attached to it!) One of the highest paying professions? Ticked, stimulated and keen they wanted to know more and there I was bestowing all my knowledge on them. After an hour of ‘gyan’ they seemed convinced and my cousin appeared to be registering on the spot. After a month he calls again and what I hear? “Beta, can you please find a good engineering college for my son in Pune....”

Was it the presumed “risk” of not clearing the actuarial exams? Or the “risk” of not getting a job easily? Whatever risk it was they've forgone the “good returns” followed by these risks.

In my father's generation, parents wanted their kids to join the public sector organizations (stable job, pension, perks like housing and phone) so did my Daddy, he was a banker in State Bank of India; he retired recently and is now enjoying his pension. There are fathers who would still want their daughters to get married only to ‘secured’ government job employees.

Narayana Murthy, co-founder of Infosys, in an interview spoke about his early days. His father-in-law didn't want to marry his daughter to a guy “who had no job”. People thought he was crazy to give up his job to start a company.

If a graduate goes for entrepreneurship, we all tend to believe that it was because he was unable to land himself into a good job. The above reasons combine to create a vicious circle – since some career paths have been pursued more, they have become more developed and hence more

profit-making. For example, the probability of a CA earning a high salary is higher than that of an artist, just because the art scene in India is still in its initial stage. People who are highly educated in India want to join companies rather than start companies. In US, people who start companies and fail are highly valued (for their experience at managing every aspect of the company), unlike in India, where they are looked upon as incompetent with no future value.

There is a downside of being risk averse; we are growing at a much slower rate and it has been the reason why India has had limited returns in the past. Indians believe in stability. What we fail to realize is the effect of our risk averseness. Though we have ensured no Lehman Brothers in India, we have also killed the possibility of “college drop-outs” created Apple, Microsoft and Facebook.

However, some of the largest business houses have taken enormous risks. Tata group by acquiring companies like Corus, Jaguar-Land Rover or Aditya Birla Group taking over Novelis. There are multiple success stories of companies having acquired businesses far bigger than themselves and making it really big.

Recently many people from non-privileged background have featured in the IAS merit list. Their parents have sold their inherited land and other valuable assets for a few bucks to get their children in good coaching centres. Selling their ‘finite’ assets for someone as poverty-stricken as a rikshawalla is definitely a huge risk. Had their parents been risk averse and were they not willing to take such risks they would have never had this unbridled joy.

How often do our potential creations get muted by our fears? As individual contributors we have many ideas that fantasize us but we do not share in fear of the “risk” of failure or the “risk” of being called a fool. From my little work experience I would say that whenever I have overcome this fear and spoken out my heart, no matter the idea was a success or a failure, taking this risk has always instilled a sense of relief in me. And never was I called a fool! So, don't let your risk-fear kill your innovation. Because when your story closes, you're going to find out that it's not what

you did that you regret the most, it's what you did not do!

I don't say take any and every risk. Research, assess, weigh the upside potential and the possible worst case scenarios. Take the ones where the upside outweighs the downside.

Disclaimer – you will not find too many of such risks in casinos!

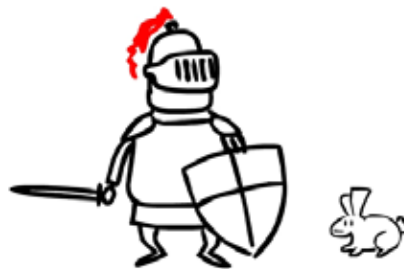
You wish to ask someone for a date? Go ahead! Downside? One time embarrassing rejection. On the contrary, you may end up in a life-long relationship. But, don't be a stalker; the downside will completely overshadow your expectations.

Starting this article was again a risk for me. What could have been the worst case scenario? Waste of some of my time. But what was the upside? Change people's perception and decisions for better!

A pessimist sees the difficulty in every opportunity – an optimist sees the opportunity in every difficulty. The key is to challenge status quo, not be content with mediocrity, and dare to dream. Yes – the risk aversion streak will caution and re-

strain us but the conviction and hard work can help us sail through and find distant shores. Our leadership team at AXA BS perhaps resonates this philosophy and thus the efforts to create an affiliative environment through enablers like the "Blue Culture" & "Value Creation" initiatives. It's an opportunity for each one of us – what we ultimately decide will be governed by our individual aversion quotients. The journey we take decides where we reach – as Robert Frost said:

I shall be telling this with a sigh
Somewhere ages and ages hence:
Two roads diverged in a wood, and I –
I took the one less travelled by,
And that has made all the difference



"WHAT WE NEED AROUND HERE
IS A POSITIVE CASH FLOW."

ABOUT THE AUTHOR



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2nd Workshop on Employee Benefits

Date: 13th March, 2015 Venue: The Plazzio Hotel, Gurgaon.

The Seminar would focus on the following topics:

1. **Public Sector Valuations:** How can we move towards strengthening Pension Benefit Liability?
2. **Actuarial Practice Standard (APS) 26:** What changes are required?
3. Ensuring consistency of actuarial valuations
4. Leave Valuations
5. Provident Fund Valuation

Brief on each topic is available at : IAI Website- Upcoming Seminars within India - Workshop on Employee Benefits

Who Should Attend? The seminar is only for IAI members who wish to enhance their skills in Pension and Employee Benefits domain.

General Points:

- **Participation Fees:** 7500/- (+ 12.36% Service Tax)
- **CPD Credit for IAI members:** 4 hours, as per APS 9
- **Registration :** Start Date - 7th February, 2015 & Close Date – 4th March, 2015.
- **Capacity: Limited to 30** on first-come-first served basis subject to receipt of payment.
- **Register at:** <http://actuariesindia.org/seminarRegistration.aspx> (Kindly Register individually to provide accurate information with respect to the topic selection.)
- **Contact:** Quintus Mendonca at quintus@actuariesindia.org for any assistance.
- **For information on Accommodation at Subsidized Rate** visit http://www.actuariesindia.org/subMenu.aspx?id=255&val=Accommodation_details

Join us for this unique event with active involvement from all the participants. There are five topics around which the whole event is planned. While registering the delegate has to select three most appropriate topics in the order of preference. Accordingly small groups will be formed to deliberate and discuss the subjects. Each group will present their topic and thus take Q & A from the other participants.

BEST ARTICLE AWARDS 2014



AKSHAY PANDIT

Topic: Effects of Current Indian Economic Scenario use of Discounting Rate under AS 15 R (G Sec Rate) For the Valuation of Employee Benefits As on 31-03-2014
Issue: Actuary India March 2014

MAYUR ANKOLEKAR SHRUTI SHETTY

Topic: An Inconsistent & Avoidable Carve Out
Issue: Actuary India December 2014



RIDHI PALIWAL

Topic: 5th Leadership Development Programme
Issue: Actuary India December 2014

BEST REPORTAGE AWARDS 2014



ADITI GOEL

Topic: Concurrent Sessions on Life Insurance
Issue: Actuary India March 2014

LUCKY DRAW DURING 17TH GCA

The lucky draw on 3rd February 2015 was drawn at 5.30 pm at the close of student event in presence of the students, IFOA team and Executive Director of the Institute. The lucky coupons were taken out by Mr. Dilip Chakraborty Chairperson The External Affairs and Research Committee. Three Apple I pads Air with wi fi were given as a prize.

The three winners of lucky draw are:-

1. Mr. Pankaj Khetan membership ID 19254
2. Mr. Arun Kumar Tanwar membership ID 10594
3. Mr. Mohit Bhalotia membership ID 1078

The following students whose name was called as lucky draw prize winner were not present so they could not get the prize and draw for two more persons was done. This was the condition of the lucky draw that the student has to be present to take the prize otherwise the prize will go to the next winner. The persons who could not be given the prize are:-

1. Ms. Lakshmi Ramaswamy membership ID 7520
2. Mr. Ramanan Senthil membership ID 5525



SUCCESS STORY

SHAGUN MALHOTRA

CA2 TOPPER October 2014

shagun_uv@hotmail.com

? **Congratulations! Ms. Shagun Malhotra for being the Topper in the CA2 Exam held in October 2014. Tell us about yourself, your educational background and your hobbies**

Thank you very much!

I am presently working as an Actuarial Consultant with KPMG Global Services in Gurgaon. I joined the company in 2011 just after completing my Masters in Actuarial Science from Cass Business School, London. I have cleared 12 Actuarial examinations and am now preparing for my last few exams.

I did my graduation in Mathematics (Hons.) from Jesus and Mary College, Delhi University and it was at this point that I chose to get into the Actuarial field. As most students in this profession will understand and agree, almost all our time is taken up shuttling between work and books! However, I do take an occasional breather by getting back to my hobbies - playing the piano (I have cleared 5 exams in Solo Piano from Trinity College, London) and baking cupcakes!

? **How did your parents, family and friends contribute to your success?**

In this field particularly, it is important that everyone around understands the challenges involved while studying and working together. I am fortunate to have family, colleagues and friends who have been, not only understanding, but also very supportive and encouraging.

My parents have been like pillars, who have, at every step, inspired and encouraged me to discover my potential and abilities, to have faith in myself, to never lose focus and to put in my very best in whatever I do.

I also owe a lot to my team leader, study mentor and colleagues at work, who have played a very important role in my journey this far. I truly appreciate their constant support, guidance, valuable tips and advice.

And of course, my friends who have tolerated my moments of tears and fears during exam preparations and have pulled

me away from my books to give me the much needed breaks in between!

? **How many hours of study on average per day did you put in to top the CA2 result where only 17 candidates passed?**

Like for most exams, it is the quality of study rather than the quantity that matters most. I began preparing as soon as I registered for the examination.

I always keep Robert Collier's words in mind, "Success is the sum of small efforts, repeated day-in and day-out." It was regular study for short periods almost every day that made a difference. However, closer to the exam, I put in about 2-3 hours per day on an average.

? **How much time do you think one requires for serious preparation for this examination?**

ActEd recommends about 50 hours to go through the course notes and additional time to attempt past papers.

Like I mentioned earlier, it helps to start studying in advance and, most importantly, to keep practising questions as CA2 is not so much about memory, but about practical application of topics already studied in the past.

? **Did you face any difficulty while studying this subject?**

This exam is quite unlike the other Actuarial exams and there is never just one correct answer to any question. So, I was a bit unsure on how to best equip myself for this exam. Also, since the question could cover a wide spectrum of topics from any of the CT exams, it was important that I looked through the summaries of each of the exams, which was fairly time consuming, but well worth it.

? **CA2 is a 7.5 hour long exam which examines documentation, analysis and reporting skills of the candidates within the given timeframe. What was your strategy to cover all these aspects while preparing for the exam?**

According to me, the key strategy was managing my time effectively. For this, I practised a few past papers under exam

conditions, which helped me immensely in tackling all the aspects of the exam. I also made sure that I read the questions a few times over and understood clearly what was required before attempting the answers and trust me, it was well worth the time spent!

Further, I kept reminding myself that I need to enjoy the entire process of studying for the exam, knowing that this preparation will definitely be rewarding in terms of gaining knowledge and experience, irrespective of the result of the examination.

? **How has this exam help you at a professional level?**

Excel is a part of my daily actuarial work. Preparing for this exam has sharpened my skills on how to turn a basic actuarial problem into a spreadsheet model and, very importantly, how to communicate the solution effectively to the client. And, of course, clearing CA2 brings me one step closer to the 'finish line'!!

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

Stephen Covey once said, "Life is not about accumulation, it is about contribution." Yes indeed, our journeys are not just about gathering degrees and qualifications, but more about giving back and utilizing our knowledge and skills in the best possible manner.

This field has given me a great opportunity to learn and work simultaneously. It is deeply satisfying to use knowledge gained through studies and translate it into fruitful practical work soon after. I hope to keep learning, working and contributing, putting in my best efforts towards the growth of my department, my organization and the Actuarial profession.

? **What was your purpose while selecting this course - Core Application Model Documentation, Analysis and Reporting?**

Besides being a prerequisite to qualifying as an Actuary, I found the subject very interesting. As teams and resources become more global, a course like this helps to hone the skills required to effectively communicate one's technical contributions. The exam helps develop a more 'rounded' business skill where the prime emphasis is on good communication. This is of immense value and I knew that this course would certainly go a long way in helping me grow in my profession.



SUCCESS STORY

CHINNARAJA PANDIAN

CA2 TOPPER October 2014

chinnarajc@gmail.com

? **Congratulations! Mr. Chinnaraja Pandian for being Topper in CA2 Exam held in October 2014. Tell us about yourself, your educational background and your hobbies**

Thanks for the wishes and with this I had cleared all my paper to qualify as Fellow Actuary. I was born and brought up in Dharavi, Mumbai and currently working as Assistant Vice President with Global Risk team of Nomura.

Also I am FRM (Financial Risk Manager from GARP) and PRM (Professional Risk Manager from PRIMA) certified with background in Master of Management studies and Mechanical Engineering from Mumbai University.

I started of my career with National Stock Exchange of India where I conceptualized and developed Asia's first Volatility index, India VIX and cross margining system. Also I had designed the methodology and risk management system for trading derivatives on India VIX.

My hobbies are listening music, watching movies particularly Tamil and spending time with my daughter, Nithisa.

? **How did your parents, family and friends contribute to your success?**

My parents are not much educated and they do not understand what actuary is about but they had always supported me. I owe a lot to my parents for all my achievements. Also my wife and daughter had been of great support for allowing me to allocate weekend and holiday for studies.

? **How many hours of study on average per day did you put in to top the CA2 result where in only 17 candidates passed out?**

I dedicated daily about 2 hours for around 10 days and 8 hours for couple of days just before the exam to take the mock exam.

? **How much time do you think one requires for serious preparation for this examination?**

The exam is not easy as one thing while going through the sample paper and one need to practise a lot. The level and amount of practise required depends on how familiar one is with excel and modelling. As this comes in handy for preparing the exam with lesser efforts. I would suggest approximately one need to allocate around 30-50 hours of focused preparation.

? **Did you face any difficulty while studying this subject?**

All the information required for preparing the exam was given in the study material and assignment. Only difficulty was to find time from work and personal life.

? **CA2 is a 7.5 hour long exam which examines documentation, analysis and reporting skills of the candidates within the given timeframe. What was your strategy to cover all these aspects while preparing for exam?**

It is a lengthy exam and one need to be focused and hold his nerve for eight hours. The exam not only evaluates the technical aspects but also considers how the student is communicating the model details. To be successful one need to touch base all the key aspects like purpose, assumption, methodology, audit trail, results, summary and next step.

My strategy was to keep the excel model simple with breakdown of each step of computation along with the reasonable checks and auto checks in place for validation. Best strategy would be to take a couple of mock exam and target to complete the modelling part in the first half of the exam and devote time for audit trail and report summary in the second half. One can judge the time required for each section based on the experience of mock exam.

? **How this exam has helped you at professional level?**

I always felt comfortable in excel modelling but this exam had made me

realise the importance of communicating the model. It had helped me to sharpen my skills in documenting and presenting the results to stakeholders in a better way. Now I had built the habit of including reasonable checks and audit trail in all my models.

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

Actuary profession in India is synonymous to Insurance even though it covers a wide field of application. I am from Investment banking and had cleared all actuary fellow paper with specialization in Finance and investment. But I feel actuaries are not given much importance in fields other than Insurance in India even though they have an expertise in quantitative, statistic, mathematic, valuation and risk management. So I would endeavour to increase the marketability and positioning of Actuary Fellow in investment banking.

As a part of my effort I had published the following articles with the Actuary magazine of London and India.

A Copula Approach to Volatility Index in India - The Actuary Magazine London

Volatility Index Demystified: From Measure of Uncertainty to an Asset Class - The Actuary India Magazine (March, 2014) Pg 45.

I Hope to continue my work of publishing article with the application of actuary tools in Investment and Finance.

Also happy to say that I am going to become a Fellow Actuary from "Dharavi" which would be of great honour to my locality and would be looking for opportunity to contribute my society from an actuary perspectives.

? **What was your purpose while selecting this course - Core Application Model Documentation, Analysis and Reporting?**

This was my last paper required to be cleared for qualifying as a Fellow Actuary and it was compulsory. But I feel even though it was not compulsory one should appear for this paper which shapes you in building and documenting model which are the key areas of any actuary work.

All the best for all the aspiring Actuaries and lets manage the unexpected risk!

COUNTRY REPORT

NEW ZEALAND

Around 130 delegates attended the biennial conference of the New Zealand Society of Actuaries. This was held in Dunedin between 19 and 22 November 2014. Thirty one presentations were spread over seven plenary and seven concurrent sessions. Twelve of the presentations were accompanied by papers ⁽¹⁾.

It was not all work in Dunedin with three evening functions and activities on one afternoon.

The Richard Bruynel memorial prize for best conference paper is chosen by a committee. Seven papers were shortlisted in December. Notable papers covered topics such as setting risk-free discount rates, climate change, Canterbury earthquakes, decumulation in retirement, private health insurance costs in last year of life and role of actuaries in the welfare system. The winning paper is expected to be announced in February.

The new Council for 2015 comprises: Richard Beauchamp (President), John Smeed (Secretary), Anne Lord (Treasurer), Paul Rhodes, Andrea Gluyas, Greg Bird and Jonathan Nicholls.

Rock star economy

Last year, NZ was dubbed a "rock star" economy and John Key won re-election for a third term. GDP grew 2.9% in the year to September 2014. Labour force participation was 69% of which 5.4% were unemployed. Inflation fell to 0.8% for 2014, below the target range of 1% to 3%. Before the Global Financial Crisis, such economic performance would be considered pedestrian.

However, there are some signs of trouble ahead. NZ is the biggest exporter of powdered milk and prices have fallen steeply. A construction boom in Auckland

and Christchurch has been fuelled by large increases in house prices. Real estate in other regions has been flat. Retail sales were lower in December 2014 than 2013. Vacancies have increased for retail and commercial premises on the fringes of the city centre.

Currency

Despite the central bank selling New Zealand dollars and announcing it was over-valued, the exchange rates against major currencies has kept on appreciating. Central banks may influence day-to-day movements in foreign currency but cannot hold back systemic market forces. A cash rate of 3.5% within the OECD is seen as attractive in a world worried about deflation and 'hot money' chasing yield.

In December 2014, Reserve Bank of New Zealand (RBNZ) changed its trade weighted index ⁽²⁾. Nine new currencies were added to US, UK, Australia, EU and Japan. The Renminbi became the second biggest currency with one-fifth of the new basket. Many other Asian currencies including the Rupee were added.

New Zealand is now firmly in the Asia Pacific block. Historical ties to UK are waning. This is symbolised by a planned referendum to change the flag. A union jack atop the southern star constellation could be replaced by a silver fern.

New solvency standards

On 17 December 2014, RBNZ updated the set of insurance solvency standards for life, non-life, captive, run-off and local government ⁽³⁾. RBNZ has also responded to submissions about data collection and draft solvency standard for flexible annuities.

Qualifying criteria for capital instruments include permanence, loss absorption and

servicing charge restrictions. Reinsurance is subject to a likelihood test of risk transfer, restrictions on termination, embedded obligations and stress testing. There is also a new risk capital charge for derivatives based on gross exposure and the counter-party risk weighted charge.

Earthquake update

Prior to the February 2011 Christchurch earthquake, houses were insured for full replacement value. Insurers have found this to be expensive. Land slippage requires foundations to be strengthened. Insurers have to supervise rebuilding to building code standards and no worse quality pre-earthquake. Cost of hiring builders increases after a natural disaster.

Policies in all parts of New Zealand are now insured on an agreed value basis, allowing the insurer to pay the sum insured and keep any salvage.

Coverage for non-commercial properties is provided by the Earthquake Commission and Insurers. The former provides the first layer of coverage for those with insurance. The courts ruled that new tremors are treated as separate events, thus reducing private sector exposure. Improved coordination between insurers and earthquake commission should improve policyholder experience.

References:

1. http://www.conference.co.nz/nzsa14/programme-speakers/full_paper
2. <http://www.rbnz.govt.nz/news/2014/5960114.html>
3. http://www.rbnz.govt.nz/regulation_and_supervision/insurers/regulation/index.html

ABOUT THE AUTHOR



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INSTITUTE OF ACTUARIES OF INDIA

List of Students Scoring Highest Marks in October 2014 Examination

Sr. No	Subject	Subject Name	Name of the Donor	Name of the Candidates	Membership ID	Place	Prize Money
1	CT1	FINANCIAL MATHEMATICS	Shri R. Krishnaswamy Memorial Prize Fund	Bhoomit Kirti Shah	28230	Mumbai	5000
2	CT2	FINANCE AND FINANCIAL REPORTING	Shree Atma Ram, Shri Chhaju Ram and Smt Parvati Devi Memorial Scholarship Endowment	Amit Kumar	29378	Kolkata	5000
3	CT3	PROBABILITY AND MATHEMATICAL STATISTICS	Shri H V Krishnamurthy Prize Fund	Nishant Agarwal	29183	Kolkata	5000
4	CT4	MODELS	Shri R. Krishnaswamy Prize Fund	Shryans Jain	21182	Delhi	5000
5	CT5	GEN. INS., LIFE AND HEALTH CONTINGENCIES	Smt. Vidhya Wati and Smt. Santosh Kumari Memorial Scholarship Endowment	Avanish Sanjeev Bankar	24488	Nagpur	5000
6	CT7	BUSINESS ECONOMICS	Prof R M Joshi Prize Fund	Sanya Gupta	21863	Gurgaon	5000
7	CT8	FINANCIAL ECONOMICS	Prof G S Diwan Centenary Commemoration Prize	Avanish Sanjeev Bankar	24488	Nagpur	5000
8	CA1	ACTUARIAL RISK MANAGEMENT	The Future Actuary Prize Fund	Khalid Ahmad	24627	Mumbai	5000
9	ST1	HEALTH & CARE INSURANCE	G S Diwan 100th Birth Anniversary Memorial Education Fund	Sumita Maity	3734	Mumbai	5000
10	SA1	HEALTH & CARE INSURANCE		Manish Hemnani	2554	Mumbai	5000
11	ST2	LIFE INSURANCE	Late Shri Janardan Pundalik Nerurkar Prize Fund	Ashish Hasija	2547	Bangalore	5000
12	ST4	PENSION & OTHER EMPLOYEE BENEFITS	Shri K A Pandit Memorial Prize Fund	None Passed			
13	ST5	FINANCE AND INVESTMENT A	Mr. Kamal Kumar Noranglal Podar Prize Fund	Vamsidhar Ambatipudi	634	Hyderabad	5000
14	ST6	FINANCE AND INVESTMENT B	Late D Basu Prize Fund	Shubhankar Limaye	23242	Pune	5000
15	ST7	GENERAL INSURANCE - RESERVING AND CAPITAL MODELLING	Mr. Peter Akers Prize Fund	Parmeshwar L. Shelke	5779	Hyderabad	5000
				Rahul Khetan	7911	Jaipur	5000
16	SA2	LIFE INSURANCE	Prof G S Diwan's Memorial Prize Fund	Ankur Saraf	5357	Gurgaon	5000
17	SA4	PENSION & OTHER EMPLOYEE BENEFITS	Canada Life Scholarship Endowment Fund	Viral Rajesh Raythatha	18717	Mumbai	5000
18	SA6	INVESTMENT	Prof G S Diwan Memorial Scholarship Fund	Vamsidhar Ambatipudi	634	Hyderabad	5000

THE ACTUARY INDIA – EDITORIAL POLICY

Version 2.00/23rd 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 programs 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 content 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. Version history: Ver. 1.00/31st Jan. 2004 Ver. 2.00/23rd Jan. 2011

New players eye Indian insurance sector, says IRDA chief

Press Trust of India | Mumbai February 2, 2015 Last Updated at 21:00 IST

IRDA today said new players have evinced interest in entering the insurance sector after the government increased the sectoral FDI cap to 49 per cent.

In December last year, the government through an ordinance hiked the foreign investment cap in the insurance sector to 49 per cent, which has been pending since 2008. Earlier, this foreign investment limit was capped at 26 per cent.

Insurance Regulatory and Development Authority (IRDA) Chairman T S Vijayan said post the executive order, new players have shown interest in entering the fray.

Some new players interested in the sector have started preliminary discussions with the IRDA, he told reporters on the sidelines of a global conference of actuaries here.

"I hope that once the preliminary discussions are over, a number of new players will apply for licenses."

He said IRDA has started work on drafting a new set of regulations as per provisions of the ordinance.

"We have to cover 14 regulations. We will either make fresh regulations or amend the existing ones. Some of them are very critical and have to be done immediately."

The regulator will also come out with a regulation on expense management, Vijayan said.

On his expectations from the Budget, Vijayan said he feels something on the lines of Pradhan Mantri Jan Dhan Yojana should be announced for the insurance sector as well.

Banks have opened 12 crore new accounts under the financial inclusion scheme.

"One should expect focus on the property and catastrophe insurance," he said, adding insurance and pension funds should get more focus in the Budget for their ability to generate long-term savings.

About the proposed nuclear insurance pool, he said it is at discussion stage. "We should be able to provide insurance within India. If one company can't provide it then a number of companies can come together to provide capacity."

The pool will have a number of stakeholders to meet the need of huge financial cover in case of a nuclear mishap.

Earlier, addressing the conference, Vijayan spoke on profitability in the insurance sector. He said in a scenario where huge capital is involved, investors have legitimate expectation on return of capital they have deployed.

"Though there is a general impression that the profitability in the sector takes a long time - 10 to 15 years - it need not be the case at all. Pricing of products should be the focus area for actuaries and those who are doing valuations of the industry," he said.

40 regulations in the works for insurance sector: TS Vijayan

OUR BUREAU

Mumbai, February 2

The Insurance Regulatory and Development Authority of India (IRDAI) is working on 40 regulations for the insurance industry on the back of the Government promulgating the Insurance Laws (Amendment) Ordinance in December.

IRDAI Chairman TS Vijayan, while speaking at the Global Conference of Actuaries, said that the regulator is working on critical regulations such as reinsurance on an immediate basis while others such as expense management guidelines where there is an existing framework will be done gradually. He said that the regulator is working on 40 regulations, of which, some are new regulations while others are amendments to the exist-



IRDAI Chairman TS Vijayan

ing ones. On the impact of the insurance ordinance on the industry, Vijayan said that many insurers have started preliminary discussions to raise foreign direct investment and are awaiting rules from the Government for foreign insurers to raise stakes in the companies.

Vijayan said the ordinance will enable re-insurers to open branches in the country.

'High Expenses Delaying Insurers' Breakeven'

Our Bureau

Mumbai: The Insurance Regulatory and Development Authority (Irdai) has said higher expenses have delayed breakeven for the country's life insurance companies.

"Insurers have given some idea that the industry breakeven will take place only after 10-15 years of operation. It need not be the case at all," Irdai chairman TS Vijayan said at the 17th Global Conference of Actuaries in Mumbai

on Monday. Referring to the higher expense ratio of companies, he asked if they had any relation to the premiums being charged and called for prudent pricing by insurance companies.

He said that if capital has to come to the sector, whether through the enhanced 49% limit on foreign direct investment (FDI) or from domestic investors, returns are very important. Referring to the capital-intensive nature of the business, he said investors will have legitimate expectations on return of

capital they have deployed.

Most of the 38 life insurance companies in the country do not comply with regulatory requirements on management expenses, according to recent reports by the Irdai. Although such companies have been penalised, they got repeated extensions.

Vijayan said the entry of additional capital will help companies to widen the availability of insurance products. Life insurance penetration has fallen to 3.2% from over 4% a few years ago.

Irdai to bring out new regulations

New rules to support insurance ordinance

BS REPORTER

Mumbai, 2 February

The Insurance Regulatory and Development Authority of India (Irdai) plans to bring out a host of new regulations to support the Insurance Laws (Amendment) Ordinance. Irdai Chairman TS Vijayan said about 40 regulations would undergo changes or be replaced with fresh regulations in the next few months. He added with the ordinance promulgated, global reinsurance companies were likely to open branches in India.

"Apart from the changes in the foreign direct investment, there are several changes in the Act. We are in the process of formulating appropriate regulations to support this framework," he said on the sidelines of the Global Conference of Actuaries here on Monday.

Vijayan said the ordinance had given more freedom to insurance companies to appoint agents and also

put corporate agents into the intermediary space. He added the regulator would bring out regulations on expense management as well. Giving his keynote address at the Conference, Vijayan noted how some insurance products were made complex, making them vulnerable to misunderstanding and mis-selling.

He added that through technology, insurance products would be made more affordable. Citing the examples of Common Service Centres, insurance repositories and use of Aadhaar card, he added these would be game-changers for the insurance sector.

Vijayan also raised concerns about unregulated entities operating in the insurance space with opaque compensation structures. According to him, there should be early identification of these and information about such activities should be immediately passed on to the regulator. He said the control of expenses would become very important.

PUZZLE

Puzzle No 229:

Two pupils were to be chosen at random from a school of register to take part in a competition. The probability that both would be boys are one-third. Before the choice could be made however, a decision was taken to include pupils from the register of another school in the ballot for the two places. This other school had a register of 1,000 pupils, and the chance that the two selected pupils would both be boys was reduced to one-thirteenth.

How many pupils are on the register of the first school?

Puzzle No 230:

In a survey of world climates, temperatures were recorded in both Fahrenheit and Celsius. At one particular place, both the recorded figures were integers, and both the product and quotient of the two figures were perfect squares. Given that neither measurement was 00, what was the temperature?

SOLUTIONS TO PUZZLES:

Puzzle No 225:

6 2 1 7 4

6 2 9 8 0

12 5 1 5 4

Puzzle No 226:

Chances of winning with 10 are one in three.

Correct solutions were received from:

Puzzle No 225:

1. Shilpi Jain
2. Graham Lyons

Puzzle No 226:

1. Graham Lyons



shilpa_vm@hotmail.com

**Submit your article at
library@actuariesindia.org**

We invite articles from the members and non members with subject area being issues related to actuarial field, developments in the field and other related topics which are beneficial for the students of the institute.

The font size of the article ought to be 9.5. Also request you to **mark one or two sentences that represents gist of the article.** We will place it as 'break-out' box as it will improve readability. Also it will be great help if you can suggest some **pictures that can be used with the article, just to make it attractive.** Articles should be original and not previously published. All the articles published in the magazine are guided by **EDITORIAL POLICY of the Institute.** The guidelines for submitting the articles are available at http://actuariesindia.org.in/subMenu.aspx?id=106&val=submit_article

SUDOKU

SUDOKU No. 29 for the month of February 2015

SUDOKU

	3		4				5	
8	1	5						
						2	6	1
		3	8	7	5			
5	6	1				7	9	8
			9	1		5		
3	7	6						
						3	1	4
	9						7	

HOW TO PLAY

Fill in the grid so that every horizontal row, every vertical column and every 3x3 box contains the digits 1-9, without repeating the numbers in the same row, column or box.

You can't change the digits already given in the grid.

- Sudoku Puzzle
by Vinod Kumar

Solution of Sudoku Puzzle No.28 published in the Month of January 2015

SOLUTION

9	3	2	6	5	4	1	8	7
6	7	5	1	2	8	9	3	4
1	8	4	9	7	3	5	2	6
2	1	8	3	6	7	4	9	5
3	5	7	4	9	2	6	1	8
4	9	6	8	1	5	3	7	2
7	6	3	5	8	1	2	4	9
5	2	1	7	4	9	8	6	3
8	4	9	2	3	6	7	5	1

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knowledge

+

Our
risk
assessment

=

His
quality of life



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