

**CONSULTATION PAPER ON PROPOSED  
IFSCA (APPOINTED ACTUARY) REGULATIONS, 2022**

**Objective:**

The objective of this consultation paper is to seek comments / views/ suggestions from public on the proposed International Financial Services Authority (Appointed Actuary) Regulations, 2022.

**Background:**

1. The International Financial Services Centres Authority (IFSCA) is the unified regulator for the development and regulation of financial products, financial services and financial institutions in the International Financial Services Centres (IFSCs) in India.
2. To facilitate the growth of insurance & reinsurance sector and to provide best in class regulatory framework, which is at par with top international jurisdictions, IFSCA has already issued certain regulations. These regulations aim to lay down the regulatory framework for the persons who are authorised to perform the roles and discharge the functions of ‘Appointed Actuary’ for the IFSC Insurance Offices.
3. The proposed IFSCA (Appointed Actuary for International Financial Services Centres Insurance Office) Regulations, 2022 *inter alia* provide for:-
  - (i) Appointment of Appointed Actuary,
  - (ii) Powers of the Appointed Actuary, and
  - (iii) Duties and Obligations of Appointed Actuary.
4. The draft regulations are placed on the website of the IFSCA at <https://ifsc.gov.in/PublicConsultation>. General public and stakeholders are requested to forward their comments / suggestions through e-mail to Insurance Dept. at [insurance-dept@ifsc.gov.in](mailto:insurance-dept@ifsc.gov.in) with copy to Mr. Bhaskar Khadakbhavi at [bhaskar.khadakbhavi@ifsc.gov.in](mailto:bhaskar.khadakbhavi@ifsc.gov.in) and Rishi Kale at [rishi.kale@ifsc.gov.in](mailto:rishi.kale@ifsc.gov.in) on or before 15<sup>th</sup> December, 2022 in the attached format. It is further requested to provide comments in MS Word or MS Excel format only.

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# INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY

## NOTIFICATION

Gandhinagar, the \_\_\_/\_\_\_, 2022

### **DRAFT - International Financial Services Centres Authority (Appointed Actuary) Regulations, 2022**

F. No. IFSCA/2022-23/GN/REG0xx. – In exercise of the powers conferred by Section 28 read with Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, and clause (zd) of sub-section (2) of Section 114A of the Insurance Act, 1938, the International Financial Services Centres Authority hereby makes the following regulations namely:-

#### **1. Short title and commencement –**

- (1) These regulations may be called the International Financial Services Centres Authority (Appointed Actuary) Regulations, 2022.
- (2) They shall come into force on the date of their publication in the Official Gazette.
- (3) The provisions under these regulations shall be applicable to International Financial Services Centres Insurance Offices (IIOs).

#### **2. Objective –**

These regulations aim to lay down the regulatory framework for the persons who are authorised to perform the roles and discharge the functions of ‘Appointed Actuary’ for the IIOs.

#### **3. Definitions –**

- (1) In these regulations, unless the context otherwise requires –
  - (a) ‘**Act**’ means the International Financial Services Centres Authority Act, 2019 (50 of 2019);
  - (b) ‘**Authority**’ means the International Financial Services Centres Authority established under sub-section (1) of Section 4 of the Act;
  - (c) ‘**Appointed Actuary**’ means an actuary appointed in regulation 4 of these regulations;

- (d) **‘Board’** means the board of directors of IIO in case of an IIO in an incorporated form, or the Board of Parent Entity in case of an IIO in an unincorporated form;
  - (e) **‘International Financial Service Centre Insurance Office’** shall have the same meaning as assigned to it under clause (k) of sub-regulation (1) of regulation 3 of the International Financial Services Centres Authority (Registration of Insurance Business) Regulations, 2021;
  - (f) **‘professional standards’** refer to the standards of practice specified by the International Standards of Actuarial Practice (ISAPs), the European Standards of Actuarial Practice (ESAPs) and International Actuarial Association (IAA).
- (2) Words and expressions used and not defined in these regulations but defined in the Act or Acts mentioned in the First Schedule to the Act or any rules, regulations or notifications made thereunder, shall have the same meanings respectively assigned to them in those Acts, rules or regulations or any statutory modification or re-enactment thereto, as the case may be.

#### 4. **Appointment of Appointed Actuary –**

- (1) The Board of an IIO shall appoint a person having the necessary qualification, competency, experience and professional status to carry out all the actuarial functions, as the 'Appointed Actuary' (AA).
- (2) To be eligible for appointment as an AA, one shall be a Fellow Member of any Full Member Association of the IAA and shall -
  - (a) have a minimum of 2 years post-fellowship experience in the insurance industry relevant to the business conducted by the IIO (i.e. in the areas of Life, General, Health or Reinsurance),
  - (b) not found to have been guilty of any professional or financial misconduct,
  - (c) not be acting as an Appointed Actuary of any other insurer including an IIO;

*Provided that* in case of an unincorporated IIO, AA of the Parent Entity may be eligible to be appointed as an AA of IIO; and

  - (d) not function in any other capacity which could result in conflict of interest in performing his or her role as AA in accordance with these regulations.

*Provided that* in case of an unincorporated IIO, an AA shall be appointed by the Parent Entity as per extant regulatory framework issued by its home country regulatory or supervisory authority.

- (3) The Board of IIO, while appointing an AA, shall authorize the AA to report directly to the Authority about non-compliance of any applicable law or regulatory requirement, by the IIO.
- (4) IIOs shall inform the Authority about the person appointed as AA, within a period of seven (7) days from the date of appointment and shall also keep the Authority informed about any change in the AA.

**5. Powers of the Appointed Actuary –**

- (1) For the proper and effective discharge of the functions and duties, the AA shall have access to all relevant and necessary information and documents in possession or under control of the IIO or of the Parent Entity of an unincorporated IIO.
- (2) The AA may seek any information and documents from any officer or employee of an IIO and it shall be duty of every such officer or employee to provide the same.

**6. Duties and Obligations of AA:-** In particular and without prejudice to the generality of the foregoing matters, and in the interests of the insurance sector and the policyholders of an IIO, the duties and obligations of an AA shall include the following:-

- (1) Rendering actuarial advice to the IIO, in particular in the areas of product design and pricing, insurance contract wording, investments and reinsurance;
- (2) Ensuring the solvency of the IIO at all times and maintaining the required control level of solvency margin;
- (3) Complying with the provisions of the Insurance Act, 1938, in regard to certification of the assets and liabilities that have been valued in the manner specified by the Authority;
- (4) Ensuring that overall pricing policy is in line with the overall underwriting and claims management policy of the IIO;
- (5) Ensuring that the premium rates of the insurance products are fair;
- (6) Ensuring adequacy of reinsurance arrangements;
- (7) Contributing to the effective implementation of the risk management system;

- (8) Certifying the Actuarial Report, Abstract and other returns as required by the Authority;
- (9) Coordinating the calculation of mathematical reserves and certifying that the mathematical reserves have been determined in the manner as directed by the Authority; and where such directions are not available, as per Professional Standards defined above;
- (10) Ensuring the appropriateness of the methodologies and underlying models used, the assumptions made, and the sufficiency and quality of the data used in the calculation of mathematical reserves, reserves for Incurred But Not Reported (IBNR) Claims and other reserves (including Incurred But Not Enough Reported (IBNER) Claims and Premium Deficiency Reserve (PDR), as applicable;
- (11) Informing the Board about the reliability and adequacy of the calculation of mathematical reserves; reserves for IBNR, and other reserves including IBNER and PDR;
- (12) Informing the Board of any matter, where in the AA's professional opinion, action is required to be taken by the IIO, which may include: -
  - (a) Any contravention of the applicable laws;
  - (b) Anything prejudicial to the interests of policyholders;
  - (c) Any failure on the part of the directors, officers or employees of the IIO that does not allow the AA to exercise his or her duties and obligations under this regulation;
  - (d) Non-compliance with the Authority's directions.
- (13) Directly informing the Authority, about non-compliance of any applicable law or regulatory requirement, professional practice; and as per his discretion, any other relevant information.
- (14) Ensuring the IIO's business specific requirements in respect of following matters which may include for -
  - (1) Life insurance business -
    - (a) Recommending bonuses payable to policyholders;
    - (b) Ensuring that the valuation of liabilities and distribution of

surplus to the participating policyholders are done in a fair manner;

- (2) General insurance business or Health insurance business –
  - (a) Determining liabilities as per actuarial principles;
  - (b) Calculating reserves for IBNR and other reserves including IBNER and PDR, as per actuarial principles.

## 7. Actuarial Reports –

- (1) Actuarial Reports shall be in accordance with the guidelines issued by the Authority and in compliance with applicable Professional Standards mentioned under 3(d) above, practice standards and guidance notes issued by the Actuarial Association of which the AA is a member.

*Provided that* in respect of an unincorporated IIO, the applicable Professional Standards for AAs shall be as per the respective home country regulations.

- (2) The AA shall *inter-alia* submit the following to the Authority –
  - (a) An Actuarial Certificate of the Valuation of Assets and Liabilities and the adequacy of capital in respect of the Parent Entity of the IIO, if applicable.
  - (b) An Actuarial Valuation Report in respect of the IIO containing the following –
    - (i) The detailed methodology used for computation of reserves;
    - (ii) The requirement of capital as per the relevant regulations;
    - (iii) The variability associated with the estimates; and
    - (iv) Disclaimers and qualifications, if any
  - (c) An Actuarial Certificate of the value of the Investments of the IIO.
  - (d) A Statement of admissible assets, liabilities and adequacy of capital.
- (3) The AA shall submit all the requisite forms to the Authority, on quarterly basis from the end of the reference period, or at the periodicity specified by the Authority from time to time.

- (4) The requisite forms, certificates, statements etc. as mentioned in these regulations shall be submitted on quarterly basis with the Authority, within fifteen (15) days of end of each quarter.
8. **Power to specify procedures etc.:** For the purpose of implementation, facilitation and regulation of insurance products and matters incidental thereto, the Authority may specify norms, procedures, processes and manners for compliance by IIOs.
9. **Power to remove difficulties and relax strict enforcement of the regulations:**
- (1) In order to remove any difficulty in the application or interpretations of the provisions of these regulations, the Authority may issue clarifications through guidance notes or circulars.
- (2) On an application, received along with the specified non-refundable processing fees, the Authority, may for the reasons to be recorded in writing, relax the strict enforcement of any of the provisions of these regulations.
10. **Repeals and saving:**
- (1) On and from the commencement of these regulations, the Insurance Regulatory and Development Authority of India (Appointed Actuary) Regulations, 2017 and any Circulars, Guidelines issued thereunder from time to time, shall cease to apply in an International Financial Services Centre.
- (2) IIOs operating in an IFSC prior to the commencement of these regulations, shall comply with the additional requirements specified in these regulations, if any, within a period of one month from the commencement of these regulations or within such extended period as may be specified by the Authority.

INJETI SRINIVAS, Chairperson  
[ADVT. xxx/x/Exty./xxx/2021]

Format for providing comments / suggestions on

**Proposed International Financial Services Centres Authority (Appointed Actuary)**  
**Regulations, 2022.**

<b>Name, Designation of the person</b>				
<b>Contact No.</b>				
<b>Name of Organization</b>				
<b>Page No. of Draft Regu.</b>	<b>Reg. No.</b>	<b>Sub-Regu No. /Para No.</b>	<b>Comments / Suggestions / Suggested modifications</b>	<b>Rationale</b>