APS 33: Peer Review of Appointed Actuary's work in – General, Health Insurance and Reinsurance

1. **Classification:** Practice Standards

2. **Legislation or Authority:**

   2.1. The Insurance Act, 1938 including The Insurance Laws (Amendments) Act, 2015 and The Insurance (Amendment) Act, 2021 and amendments thereto (hereinafter referred to as 'the Act'); and the Insurance Regulatory and Development Authority Act, 1999.

   2.2. The Insurance Rules 1939 (hereinafter referred to as 'the Rules') and amendments there to.

   2.3. Insurance Regulatory and Development Authority of India (Appointed Actuary) Regulations 2022 (hereinafter referred to as AA Regulations) and amendments there to.

   2.4. The Actuaries Act, 2006 and amendments thereto.

   2.5. Insurance Regulatory and Development Authority of India (Assets, Liabilities, and Solvency Margin of General Insurance Business) Regulations, 2016

3. **Application:**

   3.1. The Institute of Actuaries of India (IAI) standards would require peer review to be a standard element of professional practice for all annual statutory actuarial valuations carried out by an Appointed Actuary of a non-life insurer, health insurer and reinsurer (non-life and health), hereafter referred as 'the insurer'.

4. **Status:**

   4.1. Issued by the IAI under Due Process in accordance with the "Principles and Procedure for issuance of Guidance Notes / Actuarial Practice Standards (version 4.00/ 24 08 2012)."

5. **Version: 2.00**

6. **Effective: 12.07.2025**

7. **Introduction**

   7.1. The objective of the peer review is to lead to an opinion by the reviewing actuary (i.e. the Peer Reviewer) that the work as part of the annual statutory valuation by the Appointed Actuary is in conformity with the generally accepted actuarial principles and practices. Specifically, this also ensures that the regulatory requirements of the Insurance Regulatory and Development Authority of India (IRDAI), requirements of relevant Actuarial Practice Standards (APS) and Professional Conduct Standards (PCS) have been fulfilled.

7.2. It is the responsibility of the Peer Reviewer and the Appointed Actuary to ensure high standards in the performance of the peer review to help demonstrate the commitment of the IAI to act in the interests of the policyholders in particular and the public in general.

8. Definitions and Eligibility Criteria for Peer Reviewer

8.1. For the purpose of this Actuarial Practice Standard the following definitions will apply:

8.1.1. “Actuary” means an actuary as defined in clause (a) of sub-section (1) of section 2 of the Actuaries Act 2006. Appointed Actuary is as defined under the IRDAI (Appointed Actuary) Regulations 2022 and amendments thereto.

8.1.2. An external peer review is a collaborative and collegiate peer review process where:

8.1.2.1. The Peer Reviewer is independent of and external to the insurer.

8.1.2.2. An actuary working as an employee of the insurer or of any of the group companies of the insurer will not be treated as external.

8.1.2.3. In the instance that an individual was an Appointed Actuary and/or employee of the insurer there should be a one-year cooling-off period from retirement or termination of service, before the individual can become a Peer Reviewer of the insurer concerned.

8.1.2.4. An actuary working as a consultant or advisor for the insurer will not be treated as external for this purpose except as mentioned below.

8.1.2.5. If a registered partnership firm or registered sole practitioner or registered sole proprietor is engaged by the insurer as a consultant or as an advisor, then the sole practitioner, sole proprietor or the partner of the partnership firm, can be treated as external only if he is not associated in any other assignment with the insurer whilst providing the peer review support. However, in case of partnership firm, the partner actuary who undertakes the work as Peer Reviewer should declare that arrangements were in place to ensure separation of the people and the work relating to the different assignments and to ensure the independence and objectivity of the peer review.

8.1.2.6. A retired employee of the insurer, even if he is a pensioner of the insurer will be treated as external to the insurer provided that he is a registered sole practitioner or a registered sole proprietor or a partner in a registered partnership firm.

8.1.2.7. The Appointed Actuary and the Peer Reviewer should not be from same firm of actuaries.

8.1.3. Peer Reviewer is a fellow member of the IAI performing the work of external peer review in terms of this Actuarial Practice Standard.

9. IAI Standards

9.1. External peer review should be a standard element of professional practice for all annual statutory actuarial valuations carried out by an Appointed Actuary of the insurer.

10. Peer review – Scope

10.1. The peer review should cover all relevant and significant aspects of the actuarial work relating to the annual statutory actuarial valuation. The following non-exhaustive list includes some of the activities that should be carried out as a part of the peer review process:

10.1.1. Reviewing the reasonableness of the checks applied on the data to ensure that it is sufficient and credible for the work to be carried out (i.e. data completeness and accuracy checks).

10.1.2. Reviewing the reasonableness of the checks applied on the calculations.

10.1.3. A review of the methodology and assumptions underpinning the work.

10.1.4. A review of reasonableness of the results.

10.1.5. A review of the extent to which the work has been carried out in accordance with the Professional Conduct Standards, Actuarial Profession Standards and other applicable regulatory and legislative requirements.

10.1.6. A review of the clarity and quality of communication associated with the piece of work.

10.1.7. A review of the extent to which the work is suitable for the needs and reasonable expectations of the user(s) of the work, or of the user(s) of the outputs to which it gives rise.

11. Choice of Peer Reviewer

11.1. The Appointed Actuary will choose a Peer Reviewer as defined in 8.1 above, who must have sufficient experience to be capable of contributing to all the technical aspects of the work. The Peer Reviewer should disclose his prior commercial and employment relationships with the insurer or with group companies to the Appointed Actuary before accepting the assignment. Given that such commercial and employment relationships may have confidentiality element, it may be appropriate to obtain a statement from the Peer Reviewer regarding there being conflicts in him accepting the assignment. Any such prior commercial or employment relationships with the insurer or with group companies should also be formally disclosed in the Peer Reviewer's report. Any company that has shareholding (whatever be the proportion) in the insurer will come under the purview of a 'group company' for this purpose.

11.2. The work being reviewed is carried out in order to meet a regulatory requirement for which the Appointed Actuary holds an appropriate certificate of practice. The Peer Reviewer of such work must also hold the appropriate certificate of practice. The Peer Reviewer will provide a copy of the same to the Appointed Actuary for his record.

11.3. The Appointed Actuary should choose the Peer Reviewer such that not more than three consecutive annual statutory actuarial valuations of the insurer are peer reviewed by the same actuary followed by a cooling off period of at least one year.

12. Method of operation of peer review

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

12.2. It is required that the Appointed Actuary and the Peer Reviewer should discuss the work in appropriate depth, and that these discussions should be documented in sufficient detail to demonstrate that a professional and formal peer review has taken place.

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

12.4. It is acceptable for the Peer Reviewer to delegate activities in some parts of the review, but this does not remove him from being personally responsible for all elements of the review.

13. Communication

13.1. The Appointed Actuary should confirm in his or her report that the work has been the subject of peer review in accordance with this Actuarial Practice Standard, mention the name and contact details of the Peer Reviewer in the report and should also specify any areas in which IAI guidance has not been followed, together with the reasons for the same.

14. Resolution of peer review issues

14.1. Effective peer review inevitably has the potential to involve robust challenge. Differences of opinion between the Appointed Actuary and the individuals involved in the peer review may, therefore, arise.

14.2. Peer review can be an iterative process which can involve the Peer Reviewer passing comments back to the Appointed Actuary and the Appointed Actuary responding to those comments until both of them are satisfied that the work has been suitably reviewed. Where there are differences of opinion between the Appointed Actuary and the Peer Reviewer, these can normally be resolved through discussion or further analysis.

14.3. It is acceptable for the Appointed Actuary and the Peer Reviewer to disagree on various points. There can be different levels of disagreements. For example, it may be the case that the Peer Reviewer would leave it upon Appointed Actuary to make the decision as to how to resolve the disparity. Where the issue is material, both Peer Reviewer and Appointed Actuary should give sufficient prominence towards elements of difference of opinions in their respective reports.

15. General

15.1. Pending completion of the formal peer review report, the Peer Reviewer may provide a brief memo stating that:

"The Peer Reviewer has reviewed the reasonableness of the checks applied on the data, the reasonableness of the checks applied on the calculations, the methodology and assumptions, and the reasonableness of the results. There is no unresolved material difference".

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
Plot no R-1, Sector 40, Nerul Road, Navi Mumbai - 400706
+91 22 6243 3333 +91 22 6243 3322

The Appointed Actuary may submit the results to the insurer on the basis of this memo from the Peer Reviewer.

15.2. The Peer Reviewer should submit a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed.

15.3. It is expected that differences, if any, between the view-point of the Appointed Actuary and the Peer Reviewer should be resolved before the Appointed Actuary makes his or her final report. However, to the extent that any material difference remains unresolved, the same should be mentioned in the IBNR report and the peer review report.

15.4. The report of the Peer Reviewer should be shared by the Appointed Actuary with the Board of Directors of the insurer.

15.5. Furthermore, the Appointed Actuary can share the peer review report with the regulator, if the regulator so desires.

15.6. The Appointed Actuary retains entire responsibility for his or her work in compliance with the AA Regulations and in conformity with the provisions of the Actuarial Practice Standards and Professional Conduct Standards of the IAI. The Appointed Actuary must therefore retain the final say on whether or not any element of his or her work needs to be changed as a result of the peer review. The Appointed Actuary is therefore advised to use his discretion in this area with care.

15.7. The Appointed Actuary is required to fill the compliance questionnaire in Annexure 2, and submit to IAI.

15.8. The Peer Reviewer is also required to fill the compliance questionnaire in Annexure 3, and submit to IAI.

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
Plot no R-1, Sector 40, Nerul Road, Navi Mumbai - 400706
+91 22 6243 3333 +91 22 6243 3322

Annexure 1- Minimum items that should be covered in the Peer Review Report

1. Introduction
2. Opinion
3. Data Collection and Verification
4. Methodology
5. Assumptions
6. Check on results
7. Limitations
8. Confirmation that the Peer Reviewer is not associated with the insurer on any other assignment during the period when peer review is done.
9. Disclosure of all prior commercial or employment relationships of the Peer Reviewer with the insurer in the peer review report subject to confidentiality agreement.

Unit No. F-206, 2nd Floor, F Wing, Tower II, Seawoods Grand Central,
Plot no R-1, Sector 40, Nerul Road, Navi Mumbai - 400706
+91 22 6243 3333 +91 22 6243 3322

Annexure 2 - Compliance Questionnaire for Appointed Actuary:

1. About the Peer Reviewer

i. Are you satisfied that peer reviewer meets all eligibility criteria, based on the information provided by the peer reviewer?

ii. Are you satisfied that the peer reviewer has Certificate of Practice by IAI in the relevant area of practice?

2. About the Peer Review

i. Have you discussed the work in appropriate depth with the peer reviewer?

ii. Has the peer review covered the relevant and significant aspects of the actuarial work such as:
   a) reasonableness of the checks applied on the data
   b) reasonableness of the checks applied on the calculations
   c) review of the methodology and assumptions
   d) review of the reasonableness of the results

iii. Have the discussions in 2.ii been documented in sufficient details to record that a professional and formal peer review has taken place?

3. Communication

i. Has the peer reviewer submitted a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed?

ii. Have you ensured that the differences, if any, with the peer reviewer have been resolved before you finalized the annual valuation results? If any material differences have remained unresolved, have the same been mentioned in the IBNR report?

iii. The Appointed Actuary retains entire responsibility for his or her work in compliance with the AA Regulations and in conformity with the provisions of the Actuarial Practice Standards and Professional Conduct Standards of the IAI. The Appointed Actuary must therefore retain the final say on whether or not any element of his or her work needs to be changed as a result of the peer review. Have you used discretion in this area with care?

Annexure 3 - Compliance Questionnaire for Peer Review Actuary:

1. About the Peer Reviewer

i. Are you satisfied that you meet all the eligibility criteria to be a peer reviewer?
ii. Are you a Fellow member of IAI and do you hold the appropriate Certificate of Practice?

2. About the Peer Review

i. Have you discussed the work in appropriate depth with the appointed actuary?
ii. Has the peer review covered the relevant and significant aspects of the actuarial work such as:
   a) reasonableness of the checks applied on the data
   b) reasonableness of the checks applied on the calculations
   c) review of the methodology and assumptions
   d) review of the reasonableness of the results
iii. Have the discussions in 2.ii been documented in sufficient details to record that a professional and formal peer review has taken place?

3. Communication

i. Have you submitted a report addressed to the Appointed Actuary stating that the peer review has been carried out within the framework laid down by this Actuarial Practice Standard and describing the nature of work reviewed?
ii. Have you ensured that the differences, if any, with the appointed actuary have been resolved before the appointed actuary finalized the annual valuation results? If any material differences have remained unresolved, have the same been mentioned in the peer review report?