



# Growing Global Actuarial Capacity to Support Sustainable Economic and Inclusive Insurance Development

**Presenter**

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# Evolution of Regulatory Role of Appointed Actuary

## 1. Early Role and Responsibilities

- **Basic Compliance**
  - primarily focused on ensuring compliance with basic actuarial standards and regulatory requirements.
- **Statutory Reporting**
  - were responsible for preparing statutory reports, including solvency assessments and reserve calculations, in accordance with the regulatory guidelines.

## 2. Regulatory Enhancements and Expanded Role

- **Introduction of RBC and ORSA**
  - Shift towards more sophisticated risk assessments and capital management.
- **Expanded Responsibilities**
  - Broader responsibilities in risk Management:, Governance and Oversight

# Evolution of Regulatory Role of Appointed Actuary

## 3. Adoption of International Standards and Best Practices

- **International Influence:**
  - The implementation of frameworks like RBC, ORSA and IFRS 17 has pushed actuaries to adopt global best practices

## 4. Current Role and Future Trends

- **Contemporary Role:**
  - appointed actuaries serve as strategic advisors and regulatory liaisons, playing a key role in corporate governance.
- **Future Trends**
  - Emphasis on use of advanced analytics, artificial intelligence, and big data enabling more precise risk assessments and predictive modeling, Increased Focus on Governance

## Role of actuaries in the market

1. Product pricing
2. Data analysis and research
3. To ensure regulatory compliance
4. Risk assessment
5. Actuarial valuation
6. Risk based capital and ORSA
7. To advise the board and top-level management in strateg
8. To draft the in-house guidelines and manuals
9. To support in investment decisions
10. To provide training for the staff



## **Role of actuaries in the Regulatory Authority**

1. Support Formulation of strategic plan and policies of the regulators
2. To review the product and valuation submitted by the insurers
3. To draft the guidelines
4. Support in actuarial appointment of the insurers
5. To support strategic decision making (for example to impose fines in case of noncompliance, to suspend the business)
6. Capacity building of the staff



# Eligibility Criteria of Appointed Actuary

Prescribed by the guidelines Related to Actuary Appointment for Insurers, 2024

## Qualification

A person shall be eligible to be appointed as an Appointed Actuary if she/he:-

(a) is an active member of the following recognized Actuarial Associations (hereby known as “Actuarial Professional Body”): -

- Institute and Faculty of Actuaries, UK
- Institute of Actuaries of India
- Society of Actuaries, USA
- Casualty Actuarial Society
- Canadian Institute of Actuaries
- Institute of Actuaries Australia
- Other professional bodies of actuaries approved by Authority.

# Criteria for actuary of Life Insurer

1

## Professional qualification

The appointed actuary must be a Fellow Actuary of a recognized professional body.

2

## Relevant Experience

They must have at least two years of post -fellowship experience in the life insurance practice area.

3

## One actuary one insurer

The appointed actuary must not be the appointed actuary for any other insurer in Nepal.



# Re Insurer

1

## **Fellow Actuary**

The appointed actuary must be a Fellow Actuary of a recognized professional body.

2

## **Relevant Experience**

They must have at least two years of post-fellowship experience in Life Insurance or Non-Life Insurance or Reinsurance .

3

## **Independent Actuary**

The appointed actuary must not be the appointed actuary for any other insurer in Nepal.





# Non-Life Insurer, Micro Non-Life Insurer and Micro Life Insurer

is a Fellow Actuary or an Associate Actuary of an Actuarial Professional Body, satisfying the following requirements -

- has at least two (2) years post-fellowship experience in case of a Fellow Actuary or,
- has at least five (5) years post-associateship experience in case of an Associate Actuary or,
- has at least three (3) years post-associateship experience for an in-house Associate Actuary position.
  
- Work experience need to be from relevant practice area of non-life insurance for Non-Life Insurer, and life insurance/microinsurance experience for Micro-Life Insurer, and non-life insurance/microinsurance experience for Micro Non-Life Insurer.
- In the case of in-house Associate Actuary, the post-associateship experience does not necessarily have to be from the same insurer.



- in case of a Fellow Actuary, she/he is not an Appointed Actuary simultaneously for more than two (2) either from non-life insurance companies or microinsurance companies in Nepal.
- in case of an Associate Actuary, she/he is not an Appointed Actuary of any other insurer in Nepal.



# Ongoing regulatory changes (RBC, ORSA, RBS, NFRS 17)



- There has been a significant shift towards more sophisticated and risk-sensitive approaches like RBC, ORSA, RBS and NFRS 17 in the insurance sector.
- These changes aim to enhance the financial stability, risk management, and transparency of insurance companies
- Currently in transitional phase

## Implications

1

**For Insurers:** Adapting to these new regulations involves substantial changes in risk management practices, capital planning, and financial reporting systems

2

**For NIA:** Effective implementation and enforcement of these regulations require enhanced supervisory capabilities, guidance, and resources.

# The role of actuaries in implementing the new provisions

## Risk-Based Capital (RBC)

- **Risk Assessment and Capital Reserving**
  - underwriting, market, credit, and operational risks
- **Capital Calculation**
  - analyzing the insurer's risk profile and applying regulatory formulas and guidelines
- **Stress Testing**
  - stress tests and scenario analyses to evaluate how extreme but plausible events could impact the insurer's capital requirements

## Own Risk and Solvency Assessment (ORSA)

- **Risk Management Framework**
  - identify and evaluate risks, ensuring that the risk management practices align with their business strategies and regulatory requirements
- **Self-Assessment Reports**
  - detailed risk assessments and projections of future solvency
- **Solvency Projections**
  - based on the insurer's current risk profile, business plan, and economic conditions

## Role of the actuaries in all of those regulatory changes

### Risk-Based Supervision (RBS)

- **Risk Evaluation**
  - insights into the risk profiles of insurance companies
- **To support the regulator**
  - support the implementation of RBS by developing risk assessment models and tools used by regulators
- **Compliance Monitoring**
  - provide ongoing analysis and reports to regulators to support effective supervision

### Nepal Financial Reporting Standards 17 (NFRS 17)

- **Financial Modelling**
  - calculate the present value of insurance liabilities, adjust for future cash flows, and apply discount rates as specified by the standard
- **Valuation of Insurance Contracts**
  - measurement of insurance liabilities and the calculation of the contractual service margin (CSM)
- **Reporting and Disclosure**
  - ensure that the reporting is accurate, transparent, and in line with the new standards

# Challenges of building actuarial capacity

## 1 Limited Availability of Skilled Actuaries

Scarcity of Talent

## 2 Rapidly Evolving Regulatory and Standards Landscape

Keeping Up with Changes: new standards and practices such as RBC, ORSA, and NFRS 17  
Complexity of Standards

## 3 Resource Constraints

Budget Limitations: ability to invest in hiring actuaries, purchasing advanced software, or conducting necessary training programs  
Infrastructure Needs: actuarial software and data analytics tools

## 4 Building Institutional Knowledge and Expertise

Institutional Knowledge: takes time and experience. Knowledge Transfer can be challenging, especially with staff turnover.





## Regulatory Initiatives implemented to develop actuarial professional in Nepal

1

### Establishment of Actuarial Analyst Function

- ✓ Provisions Highlighted in Guidelines Guideline Related to Actuary Appointment for Insurers, 2024 (BS 2081)

2

### Memorandum of Understanding (MOU)

- ✓ NIA is having discussion to have Memorandum of Understanding (MoU) signed with Actuarial Society of Nepal (ASN) and signed the MOU with Tribhuvan University (TU)

3

### UNDP-Milliman Global Actuarial Initiative (GAIN)

- ✓ Mentorship program
- ✓ Webinar for senior management
- ✓ training through panel of experts
- ✓ Capacity building of staff of NIA

## **The role of development agencies:**

Development agencies and public-private partnerships (PPPs) can play significant roles in supporting actuarial capacity building in various ways:

1. To support in drafting the guidelines related to actuary (For example GAIN supported in drafting the actuarial guidelines)
2. Capacity building of industry and regulator
3. Providing scholarships and fellowships to the actuarial students and the staff of the regulators and insurers
4. To organize mentorship programs for actuarial students
5. To support in adopting international best practices

