**Professional Compliance Questionnaire (PCQ) – APS 5**

The Council in terms of the powers vested in it Section 19(2)(i) and Section 19(2)(r) of the Institute of Actuaries of India has put in place the above APS which is classified as Practice Standard, meaning thereby that a material breach of its provisions would by itself be a ground for complaint under disciplinary powers and would amount to a strong prima facie evidence of unprofessional conduct or professionally objectionable conduct. Such evidence could normally be set aside only if the member could show that in an actuarial advice given, any departure considered appropriate from the strict compliance with any aspect of the APS had been disclosed and justified.

The Council would want to satisfy itself, to the extent that it is possible to do so, that the Appointed Actuaries are in strict compliance with this APS at all times and that to the extent it is not so, the same is made part of the actuarial report and justified. The Council would also want to satisfy itself as to the manner in which such compliance is actualized so as to ensure that the APS is strengthened if need be on continuing basis.

It is clarified that the Compliance Questionnaire is a means for the Council to have a higher level of satisfaction of compliance by the Appointed Actuaries and does not amount to certification that the Appointed Actuary has complied with all the provisions of the APS fully as in the nature of things such a judgmental process should rest with the Council and the judicial authority in India.

It is also clarified that this Compliance Questionnaire contains those elements of the APS which are currently considered by Council as key aspects to be monitored and there could be other aspects as well which the Appointed Actuary needs to comply.

**Confidentiality**

The contents of this Compliance Questionnaire are confidential between Council or any committee constituted by Council and the Appointed Actuary and shall under no circumstances be used against him/her without his/her knowledge and due processes as prescribed within rules of the Institute of Actuaries of India

The Professional Compliance Questionnaire (PCQ)-APS 5

|  |  |  |
| --- | --- | --- |
| **Question No** | **Questions** | **Reply** |
| 1 | 1. **Illustrations (Link para A 1 of APS 5)**
	1. Have the illustrations used by your Company:
2. been prepared in consultation with you, and
3. have these been authorized by the management of the Company?
	1. Are two rates of return used in the illustrations?
4. Are the two rates – higher and lower – as set out by the Life Insurance Council/IRDAI Regulations?
	1. If you have used interest rates other than those specified by the Life Insurance Council/IRDAI Regulations, have you ensured that the rates used are not higher than the:
5. higher and
6. lower rates specified by the Life Insurance Council/Regulations for this purpose?
	1. For linked business, have the charges in respect of fund management and policy charges been deducted from the gross investment return assumptions?
	2. Further, have all charges:
7. fund management and
8. other policy charges payable by customers

…been included explicitly within the illustration tables?* 1. Are the illustrations being reviewed:
1. from time to time and
2. in any case at least once a year before the month of April?
	1. Have you ensured that the phrase as specified in the APS 5 appears on the front page of illustrations in the same size type as the rest of the text?
	2. Have appropriate controls been set up in the process of issuing illustrations to ensure that customers are provided illustrations that are authorized by you and approved by the management of the Company?
	3. Has the Company’s policy on surrender values been indicated within the illustrations?
 |  |
| 2 | 1. **Role of Appointed Actuary (Link para B of APS 5)**
	1. Have you taken all reasonable steps to ensure that the illustrations prepared by the Company, as required in the terms of the Life Insurance Council circular, did not create unreasonable policyholder expectations?
	2. Have you ensured that the illustrations envisaged to be given to the prospective policyholders are filed with the IRDAI for all plans?
	3. File and Use compliance being your responsibility, have you ensured that the illustrations authorized for use by the management of the Company been prepared taking into account your advice as per APS5?
 |  |
| 3 | 1. **Guiding Principles (Link para C of APS 5)**
	1. Have you ensured that the illustrations serve the purpose:
2. to educate the prospective customer about the insurance product,
3. to assist him/her in developing a proper understanding of features of the product, and
4. to explain the flow of benefits in different circumstances

…and ensured that illustrations are not used as a tool to achieve a competitive edge in the market place?* 1. Have you ensured that the illustrations for a product are consistent with:
1. the terms and conditions of the product as filed with the IRDAI
2. the wordings in the policy document and
3. Company practice?
	1. Have you ensured that illustrations do not withhold important information such as conditions upon which the illustrations would not be valid?
	2. Have you ensured that the content of the illustrations is such that the key messages are not lost?
	3. If for certain target markets, such as rural markets or a certain distribution channel, different forms of illustrations are to be used, have you ensured that these forms of illustrations have been filed with the IRDAI?
	4. Have you checked that the intermediaries and the employees responsible for sales:
4. receive appropriate training and
5. are supervised and monitored with regard to the policy illustrations

…and if it was not so, have you taken up this matter with the management of the Company for appropriate action?  |  |
| 4 | 1. **Benefits (Link para C8 & C9 of APS 5)**

**Guaranteed:*** 1. Do the illustrations clearly distinguish between the guaranteed benefits and non-guaranteed benefits?
	2. Have the following been clearly stated:
1. circumstances in which the guaranteed benefits would be available and
2. the conditions applicable, if any.

**Non-guaranteed or variable benefits:*** 1. Are the illustrations of non-guaranteed or variable benefits based on assumptions about future experience, such as, investment return, taxation, mortality, morbidity, charges, expenses, terminations by lapse or surrender and discontinuance of premiums leading to policy becoming paid up?
	2. Are these assumptions appropriate to the product which is illustrated based on:
1. past experience, if available, and
2. your view of assumptions for the future?
	1. If these assumptions are different from the assumptions underlying the profit test and other analysis carried out for the filing or the most recent refiling of the product for approval by the IRDAI, do you have justification for the same?
	2. With reference to investment return assumption, do the tables specifically state the assumed rates of investment return?
	3. In respect of unit-linked plans, do the illustrations include full description of expense charges, i.e. amounts of all types of charges debited against policyholders’ premiums or unit account, in case of ongoing policy?
	4. For linked products, wherever permissible, if you have used expense charges increased in line with inflation rates, is the inflation rate used appropriate to the higher and lower investment return assumption?
	5. For participating products, as the bonus rates themselves can be misleading, have you provided additional information on the rate of return achieved by the policyholder, in a suitable form, ensuring that the customer is not misled or misinformed?
	6. Have you determined what projected rates of bonus should be used for each of the higher and lower investment return rates, which, in your judgment, would be appropriate and supportable under the investment return rates, taking into account all the relevant factors?
 |  |
| 5 | 1. **Lapses, Surrenders and non-forfeiture provisions (Link para C10 of APS 5)**
	1. Have you ensured that the options and benefits available in circumstances such as discontinuance of premiums:
2. before the policy has acquired any value and
3. after the policy has acquired a paid -up value/or surrender value

…has been clearly spelt out together with the applicable conditions?* 1. If the illustration shows surrender value, does the illustration clearly distinguish between:
1. Guaranteed and
2. Non-guaranteed surrender values?
	1. In the case of non-guaranteed surrender values:
3. do the illustrations mention as to how long the current non-guaranteed surrender values would be applicable? and
4. do the illustrations advise the policyholder to check with the Company the available non- guaranteed surrender values thereafter?

Where benefits are contingent upon policyholder exercising/not exercising certain options, are these options clearly spelt out so that the policyholder is clearly aware of what differences such options may cause in the benefit amounts? |  |
| 6 | 1. **Documentation (Link para C11 of APS 5)**
	1. Have you:
2. documented all assumptions underlying the calculations along with suitable justification, wherever necessary, and
3. have you ensured the accuracy of calculations?
 |  |

**Name of the Appointed Actuary**

**Name of the Company**

**Signature**

**Date**