

an>

Title : Discussion on the motion for consideration of the Acturics Bill, 2005 moved by Shri Pawan Kumar Bansal on behalf of Shri P. Chidambaram.

MR. DEPUTY-SPEAKER: Now, the House shall take up Item No. 14 --Actuaries Bill, 2005 : Shri Bansal.

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL): Mr. Deputy-Speaker, Sir, I beg to move:

"That the Bill to provide for regulating and developing the profession of Actuaries and for matters connected therewith or incidental thereto, be taken into consideration. "

Sir, this is a new Bill, which intends to regulate the profession of Actuaries in the country, a profession, which concomitantly with the expansion of the economic activity in general and insurance business, in particular, has assumed added significance over the years. In simple terms, as you would appreciate, an Actuary is a person skilled in determining the present effect of future contingent events. If that sound difficult at times, it may be because it is a new subject.

The conventional responsibilities of Actuaries in life and general insurance business include designing of pricing policies, monitoring the adequacies of the funds to provide the promised benefits, recommend fair trade rate of bonus wherever applicable, valuation of the insurance business, ensuring solvency margins and other insurance risks like legal liability, loss of profit etc.

Sir, they also define risk factors, advise on the premium to be charged and reinsurance to be purchased. They also calculate reserve for outstanding claims and carry out financial modelling.

Sir, an Actuary works as a consultant either individually or in partnership with other Actuaries. Besides hosts of other functions, his functions include that ensures that the premium rates of the insurance products are fair. Therefore, he serves both the insurer as also the general public going for insurance.

Sir, so far, it has been the Actuarial Society of India, which was registered under the Societies Registration Act, 1860 and Bombay Public Trust Act, 1950, which is managing the affairs of the Actuarial professions in our country. As I said, with the expansion in the insurance sector, there is almost certainty that in the coming years, the demands for qualified Actuaries would go up tremendously and therefore, there is a need for establishing a statutory professional body like the one we have for the Chartered Accountants, Costs and Works Accountants and the Company Secretaries^[KD42].

Sir, presently as per the Actuarial Society of India, the number of fellow members, the Actuaries who are entitled to practice is just 203. Of these, 137 are resident in India and 66 are outside the country. Looking at the future demand, about 4000, that is, to be precise 3958 students have registered themselves for pursuing the course of Actuarial Science. Including them and a few others like associates and affiliates, the total number of members as on date comes to 4,326.

It is felt that by the year 2010, because of the fast changing economic scenario, the number that would be expected would be at least 10,000 members and 15,000 by the year 2015.

To really equip ourselves with that emerging situation and to regulate this important profession, which, as I said, has to play a very important role in the insurance business, this Bill is brought before the House. It defines an Actuary besides setting up a statutory professional body, that is, the Institute of Actuaries of India, to streamline, regulate and develop the profession of Actuaries on the line of Chartered Accountants, etc.

I must thank the Standing Committee as well for the important definition. They made certain recommendations about the change in the definition of the Actuary itself. That has been incorporated. After the introduction of the Bill in this House, it was referred to the Standing Committee. The Standing Committee considered the Bill at length, deliberated thereupon and came forth with certain very important suggestions which the Government did consider. I am happy to state here that on the basis of the recommendations of the Standing Committee, I would be moving certain amendments towards the end of the discussion of this Bill. But I must again place on record my sense of gratitude for the Members of the Standing Committee, who participated in the discussion.

As I was saying, besides defining the Actuaries as such, the Bill intends to lay down the functions of the Council. The Council as such would function with 9 to 12 elected and four nominated members. One-third of the elected members of the Council would retire

every second year by rotation but shall be eligible for re-election for not more than two consecutive years.

There is a mechanism for redressal of and adjudication of the disputes by a Tribunal established by the Government. Also, there is a provision for appeal. With some modifications, the Appellate Authority in case of the Chartered Accountants would be the Appellate Authority for this purpose as well. There is a provision for financing the activities from the fees, donations, grants, etc.

The important thing in all the professions is to regulate the conduct of the members whether it be the legal profession, whether it be the Chartered Accountants or the Company Secretaries. Likewise, there is a provision to provide for dealing with the question of misconduct of members. It has to be inquired by a separate Disciplinary Committee. Complaints against the members would be inquired by a Prosecution Director.

One important point in the Bill is that the companies are not allowed to practice as Actuaries. When this piece of legislation is passed by this august House and finally enacted as a statute, the Government can notify a Quality Review Board for setting standards and review the quality of services. This is a very important provision because a lot now depends upon the Actuaries as such. It was precisely for that purpose that the Insurance Regulatory and Development Authority of India in the year 2000 promulgated the Insurance Regulatory and Development Authority (Appointed Actuary) Regulations 2000 which *inter alia* provides [\[m43\]](#):

"That an insurer registered to carry on insurance business in India shall appoint an actuary who shall be known as the Appointed Actuary for the purposes of this Act."

This is subject to the provisions which are made in the following sub-regulation (2). There is also the power given to the Government to dissolve the Council and to make rules and to issue directions for making or amending regulations. The Council has the power to make regulations. The regulations, like the provision in all the enactments, those regulations have also to be laid on the Table of the two Houses.

As I said, this is a new Act dealing with a subject which, of course, has been in existence for some time, a profession which has existed for many years, but now which assumes added significance and for that there is the need to have that governed by a statute and that is how we are before this House. I would urge this House to consider this Bill and thereafter pass it.

MR. DEPUTY-SPEAKER : Motion moved :

"That the Bill to provide for regulating and developing the profession of Actuaries and for matters connected therewith or incidental thereto, be taken into consideration."

SHRI P.S. GADHAVI (KUTCH): Mr. Deputy-Speaker, Sir, I rise to support this Bill. This Bill, the Actuaries Bill, 2005, was brought before the Lok Sabha and the same was referred to the Standing Committee on Finance. The Standing Committee presented its report to the House and again this Bill has been brought now by the hon. Minister of Finance.

As we know, after the enactment of the Insurance Regulatory and Development Authority (IRDA) Act, 1999 and the consequent establishment of IRDA on 19th April, 2000, the insurance sector stood opened up for competition. In addition to the six nationalised insurance companies, which were transacting the business of insurance, twenty-one private sector companies are presently in the business in the country.

The actuarial science is considered to be the backbone of insurance operations, particularly so in the area of life insurance. However, with the passage of time, the scope of the actuarial profession has extended to other sectors, particularly those where long-term contracts/liabilities are involved. The demand for qualified actuaries is expected to increase in the mixed scenario where private and Government insurance companies are operating.

The conventional responsibilities of actuaries in the Life and General Life insurance businesses include designing and pricing of policies, monitoring the adequacy of the funds to provide the promised benefits, recommending fair rate of bonus where applicable, valuation of the insurance business, ensuring solvency margins and other insurance risks like legal liability, loss of profit etc.

What are the functions of the Actuaries? They advise on the premia to be charged and re-insurance to be purchased, calculate

reserve for outstanding claims and carry out financial modelling.

An actuary works as a consultant either individually or in partnership with other actuaries in multi-disciplines like insurance, information technology, taxation, employees' benefits, risk management, investment etc. Evidently, the scope of the functions and duties of an actuary has increased considerably under the changed conditions.

As per the Insurance Regulatory and Development Authority (Appointed Actuary) Regulations, 2000 every insurance company shall have an 'Appointed Actuary'.

The Actuarial Society of India (ASI), which was established in 1944 and registered in 1982 under the Societies Registration Act, 1860 presently manages the affairs of the actuarial profession in India. The ASI has been conducting examinations in line with the international pattern. The Society works closely with the Institute of Actuaries, London and the International Actuarial Association[[krr44](#)].

The professions of Chartered Accountants, Cost and Works Accounts and Company Secretaries are governed through the Chartered Accountants Act, 1949; Cost and works Accountants Act, 1959; and the company Secretaries Act, 1980 respectively. Similarly, it was the demand of the day for a law dealing with actuaries.

Unlike in the case of other professions, there continued to be lack of a legislation with regard to actuarial profession in India. As per the Ministry of Finance, this was perhaps not felt necessary so far due to the rganization set up under which the insurance sector functioned and the consequent limited scope for qualified actuaries in these rganizations. In the absence of legislation as applicable to the professions of Chartered Accountants, Cost and Works Accountants and Company Secretaries, actuarial consultancy on private or individual basis continued to be restricted.

In order to streamline, regulate and develop the profession of actuaries on healthy lines, the Government has proposed to establish a professional body having a statutory character similar to the enactments relating to the professions of Chartered Accountants, Cost and Works Accountants and Company Secretaries. Therefore, this Bill was brought by the regime of the NDA Government. It is good that this Bill has been brought again and I support this Bill.

The Actuaries Bill, 2005 proposes to dissolve the Actuarial Society of India and establish a professional body, namely, the Institute of Actuaries of India (IAI) and transfer the assets and liabilities of the said Society to the proposed IAI. The Institute to be constituted under the proposed Bill will have the responsibility of conducting examinations for the profession of actuaries, regulating the profession including aspects relating to professional misconduct, and creating necessary facilities for the growth and training of the members of the Institute. It is expected to function as a self-financing and self-supporting body without any budgetary support from the Government.

Sir, I would like to invite the attention of the hon. Minister to the provisions of this Bill. It is stated in the Bill that the Council would elect a President, Vice-President and an Honorary Secretary. One-third of the members of the Council shall retire at every Annual General Meeting by rotation and will be eligible for re-election.

I would also like to invite the attention of the hon. Minister to the provisions of clause 12(5) which states that any person nominated by the Central Government to serve on the Council under clause (b) of sub-section (2) 'shall hold office during the pleasure of the President'. Though the intended reference in the clause is to the President of India, it could be construed to refer to the President of the Council. It is so mainly because the expression 'President' is intending to refer to the President of the Council occurs in several provisions of the Bill. Therefore, I would request the hon. Minister to reword the provisions of clause 12(5) by withdrawing reference to the President and instead stipulate that a nominated member of the Council 'shall hold office for a period of five years from the date of his nomination unless removed earlier by the Central Government'. It will ensure that it is not misconstrued. Hon. Minister may take note of my suggestion.

With these words, I support this Bill.

MR. DEPUTY-SPEAKER: Now, it is 3.30 p.m. I am going to take the Private Members' Business. We shall take up item no. 15.

