

# Challenges and Opportunities for Young Members in Insurance Industry



*Insurance is the fastest growing sector in India and it has huge potential of growing further and further in future. As per an estimate, approximately 21 lakh insurance professionals will be required by 2025. The insurance industry employs a wide array of professionals. Privatisation of the insurance sector has opened many opportunities for Chartered Accountants in this sector. A Chartered Accountant may explore these opportunities as an independent consultant, practicing professional, in actuarial services, product development, surveyor and loss assessor, arbitrator, investigator, regulatory compliance services, third party claim administrator, reinsurance management services, portfolio management services, etc., by joining as an employee of the insurance company. Read on...*

The Insurance sector, which is one of the fastest growing sectors in India, is brimming with opportunities for young professionals. Increase of FDI limit from 26% to 49% will further boost foreign investments in India in this sector and open the gates for new entrants.

According to the recent survey conducted by the Confederation of Indian Industries (CII), the estimated number of insurance professionals required by 2025 will be approximately 21 lakh.



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Given the complex product design, distinctive processes, unique valuation techniques for reserves, liability, provisioning and industry specific financial reporting, it is challenging for young Chartered Accountants to get hold of these quickly. Despite this, there are some jobs that can be taken up by the newly qualified chartered accountants with no prior industry experience but still there are some jobs that requires an expert or a specialised knowledge for which a host of professional courses are available. The post qualification diploma course 'DIRM' can be taken up by aspiring chartered accountants willing to enter this industry.

## **Opportunities for Young CAs in Insurance sector**

### **Actuarial Services**

The role of an Actuary requires specialised knowledge to assess the financial impact of a future uncertain

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event. They use advance statistical and financial models to solve complex financial problems which further helps in designing and determining pricing of an insurance product. The role includes Statutory Valuations and Reporting, calculation of Statutory Reserves, Embedded Value Reporting, Experience Analysis, Reinsurance Pricing Model and Capital Modelling.

A Chartered Accountant with sound knowledge of statistics and mathematics can take up this profession. This is a statutory profile in the insurance company and requires excellent technical and analytical skills for which Chartered Accountants are well known in the industry.

## **Insurance Advisory Services**

Insurance Advisory Services plays an important role in designing and implementing an insurance programme for a business entity in alignment to its overall insurance objective and risk mitigation strategies.

A Chartered Accountant having complete information of the financial position of the client and its associated risk can further add value in devising an insurance strategy for effective risk management. He can advise his client/employer regarding the selection of policy, need, adequacy and legal requirement of insurance, cost benefit analysis of different plans of different companies.

A Chartered Accountant in practice is permitted to render Insurance Financial Advisory Services as prescribed under "The Insurance Regulatory and Development Authority (Insurance Brokers) Regulations, 2002" only in the Corporate form.

## **Product Development**

One of the most important objective of an insurance company is to provide a comprehensive suite of products that fulfil all the customer needs. The quality and diversity in the portfolio of products and services that is offered to the customers and its profitability, measures a company's effectiveness and sustainability in the market.

A Chartered Accountant as a product development professional can design insurance products by matching product specification to the needs of the target customer segments and pricing it accurately with a bias towards objective of long term savings and protection to increase overall profitability from the product while reducing risk and cost.

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## **Surveyor & Loss Assessor**

Surveyors and Loss Assessors (SLAs) assess the losses in the general insurance business when contingency insured under the contract of insurance arises.

A Chartered Accountant with thorough knowledge of business, financial and valuation technique can act as surveyor and loss assessor. He evaluates liability of an insurance company in respect of a an insurance claim.

## **Arbitrator**

Arbitration is alternative dispute resolution mechanism through which parties can resolve their dispute without filing case in the court. In arbitration, there is no strict rule of procedures or law of evidence but still it is legally binding like court order.

A Chartered Accountant can act as an arbitrator between insurance company and policyholder to resolve dispute about the eligibility of claim and quantum of losses.

## **Investigator**

An investigator examines the facts of the insurance claim, determines its authenticity & assesses the liability of the insurance company. He ensures that the claim is not fraudulent by gathering background information about the claimant and loss in question.

A Chartered accountant can act as an investigator in commercial claims arising in general insurance business as he possess sound knowledge of business and associated risks.

It is permissible for a Chartered Accountant in practice to accept an investigation assignment as the work of investigation is akin to audit.

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## **Third Party Claim Administrator**

A third party administrator is an outsourced arrangement by the health insurance company to process claims on its behalf. A third party administrator evaluates the claim, assess the liability of insurance company under the contract and settle the claim of the policyholder.

A Chartered Accountant can play the role of third party administrator for the insurance company to process the insurance claims.

## **Regulatory Compliance Services**

Regulatory compliance services enable the insurance company to comply with the regulatory requirements by assisting the company to design its compliance policy, periodic assessment of the processes to ensure there is no non compliance to the regulatory requirements.

A Chartered Accountant possesses sound knowledge of applicable laws and his ability to interpret the intention of regulation makes him suitable for this profile. He can also support the creation and implementation of comprehensive compliance policies in line with the regulatory requirement. Further, he can also provide support in establishing a comprehensive and robust risk based due diligence process to identify any trends or patterns and highlight any red flags so that corrective action can be taken.

## **Reinsurance Management Services**

Reinsurance is an arrangement with reinsurance company, which takes on all or part of risk covered by a insurance company in consideration of premium. Through this arrangement insurance company safeguards its capital, reinforces financial stability, enable to cover larger risks and guarantees timely settlement of claims.

A Chartered Accountant can play an important role in the administration of reinsurance treaties, calculation of premium payable and & evaluation of liability of reinsurance company basis claims submitted.

## **Insurance Broker**

An insurance broker is an independent insurance agent who represents the buyer instead of the insurance company and works with many insurance companies to find the best available policies for his clients.

A Chartered Accountant can work as an insurance broker in corporate form. However, he is

not permitted to do any work relating to the insurance agency either individually or in partnership/ proprietorship form or in corporate form

## **Portfolio Management Services**

A Portfolio manager advises or undertakes on behalf of the client, the management or administration of a portfolio of securities or the funds of the client.

A Chartered Accountant can undertake portfolio management service of an insurance company either as an independent consultant or as a employee of an insurance company. However, a practicing Chartered Accountant is not allowed to undertake these services.

## **Financial Planning and Budgeting**

Financial planning and budgeting activities in an insurance company involves preparation and continuous monitoring of a company's annual operating and capital budgets. On the revenue side, sales volume is projected basis the company's revenue targets, external market conditions *etc.*

A Chartered Accountant having sound knowledge about the cost structure of the company can play role in the planning & budgeting exercise.

## **Expense Management & Cost Rationalisation**

Cost management is the process by which companies control and plan the costs of doing business. With proper implementation, this process translates into reduced costs of operations for products and services, as well as increased value being delivered to the customer.

A Chartered Accountant well versed with cost environment in the insurance industry can work towards implementing the three "E"s - Economy, Efficiency and Effectiveness and thereby achieve cost rationalisation.

## **Technology-Innovation for Growth**

Rapid changes in Information Technology (IT) have resulted in rapid changes to the ways in which businesses are operated. Those companies which take advantage of technology as key driver for innovation always achieve competitive advantages over the competition.

A Chartered Accountant can drive changes in the business model, product and services through innovation and can play a pivotal role in enabling innovation by demonstrating willingness to accept risk while supporting and rewarding innovative ideas and approaches. ■