**Ref: CO/Actl/2021/AS-202011/A20 Date: 23.11.2020**

**ANNEXURE XX**

**DIPAM – Scope of Work of the Actuarial Firm**

**Ref: File No. 4/3/2020-DIPAM-II-A, Govt. of India, Ministry of Finance, Department of Investment & Public Asset Management**

RFP for Integrated Suite of Actuarial Software for Life Insurance

Ref: CO/Actl/2021/AS-202011/RFP

The software will facilitate with output to meet the outcome requirements of the Actuarial Consulting firm being appointed by DIPAM .

**4.1 The Scope of Work covers the following:**

1. The Global Actuarial Firm would be required to work with the appointed Actuaries and Management of LICI to mutually agree on an appropriate methodology to be used in the calculations of IEV and determine IEV that complies with the requirements of Actuarial Practice Standards and Guidance Notes issued by the Institute of Actuaries of India (IAI) and LIC Act, 1956 and IRDAI, which would include the following:
2. Implementation of the IEV framework as per Actuarial Practice Standard 10 (APS 10), issued by Institute of Actuaries of India, and IRDAI (Issuance of Capital by Indian Insurance Companies Transacting Life Insurance Business) Regulations, 2015, determination of IEV, preparation of the IEV report and providing support in the IPO process.
3. To review and report on the methodology, economic and operating assumptions used to determine the components of IEV and comply with the relevant IEV principles:
4. The Actuarial Firm shall designate an Actuary as “Reporting Actuary” as per Para 2.3 of APS 10 who shall determine and report on the following results:
5. IEV comprising Adjusted Net Worth (ANW) and Value of In-Force business (VIF) as at 31 March 2021 and for the previous period as on 31 March 2020\* ;
6. Value of New Business (VONB) for the financial year 1 April 2020 to 31 March 2021 (FY2020-21);
7. Sensitivity results for IEV as at 31 March 2021 and VONB for FY2020-21 as required by APS 10; and
8. Analysis of movement in IEV for FY2020-21.

\*Note: All dates are tentative and subject to modification by DIPAM.

1. The various areas of methodology include;
2. the Adjusted Net Worth (‘ANW’) comprising Free Assets (‘FA’) and Required Capital (‘RC’);
3. the components of the Value of In-force Business (‘VIF’), viz. the Present Value of Future Profits (‘PVFP’), the Cost of Residual Non-Hedgeable Risks (‘CRNHR’), the Time Value of Financial Options and Guarantees (‘TVFOG’), and the Frictional Costs (‘FC’);
4. the contribution to PVFP from various ‘global reserves’ and
5. ‘discontinuance fund’ held, if any;
6. the adjustments in respect of Funds for Future Appropriation (‘FFA’) (if any);
7. the adjustments, if any, arising due to commission savings in respect of orphan policies; and
8. Other analysis as required while working on the above activities.

**4.2 The Actuarial Firm shall have to review the various operating experience studies of LICI and accordingly, set suitable assumptions to be used in the calculations of IEV in discussion with the appointed actuaries / management of LICI:**

1. Review models used by LICI for the cash flow projections.
2. Independently develop models to validate the outputs generated by LICI models.
3. Prepare the Actuarial Practice Standard 10 (APS10) Report: The Actuarial Firm is expected to develop and issue the APS10 Report to the Board of Directors of LICI for inclusion in the listing documents.
4. Selected Bidder may be required to prepare a supplementary Embedded Value Report depending on the launch date of the IPO.

**4.3 Apart from the tasks set out above, there will be other areas where the Actuarial Firm is required to provide support. These include:**

1. interacting with different advisors and stakeholders (e.g. bankers, lawyers, and auditors) as well as with IRDAI, SEBI etc. as may be required;
2. specifying the ‘scope’ of the data audit (as required under APS10 and IRDAI (Issuance of Capital by Indian Insurance Companies Transacting Life Insurance Business) Regulations, 2015) to be performed by the auditor and reviewing the output of the data audit report developed by the auditor;
3. reviewing iterations of the Final Results and reflecting changes in the APS10 Report based on inputs and feedback from different stakeholders, including bankers, regulators (IRDAI or SEBI); and
4. providing inputs into/ reviewing relevant sections of the IPO offer documents and other related documents/ offer material of the LICI.

**4.4 The tasks mentioned under the Scope of Work are indicative and non- exhaustive in nature. There may be some services relevant but not expressly captured in the Scope of Work, which upon being as and when brought to the notice of the firm by DIPAM, will also form an integral and mandatory part of the Scope of Work.**

\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*End of Annexure\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*\*