

Discipline Announcement: Public Reprimand of Manalur Sandilya

The Discipline Committee Panel of the Casualty Actuarial Society (CAS), acting in accordance with the CAS Bylaws and with consideration of the findings from the Actuarial Board for Counseling and Discipline (ABCD), voted unanimously to publicly reprimand Mr. Manalur Sandilya for materially violating Precepts 1, 3 and 4 of the Code of Professional Conduct (Code). The Appeals Panel of the CAS Board of Directors affirmed this decision. Public reprimand is rendered in situations where the violation of the Code is sufficiently serious that there is an obligation on the part of the CAS to notify the public of the discipline, but where there are mitigating circumstances that preclude suspension or expulsion of the subject actuary.

Sandilya was engaged by an insurance company domiciled in India to prepare and finalize the 2015-2016 Incurred But Not Reported (IBNR) Report and Financial Condition Report (FCR), as required by the Indian regulatory authority.

Sandilya materially violated Precept 4 of the Code by failing to ensure that his work was clear and appropriate to the circumstances and the intended audience. The regulatory authority, an intended user of his work, requested that Sandilya provide detailed cal-

culations of the IBNR, including the methodologies used to produce these estimates. His estimates for automobile liability were materially lower than estimates derived using the paid loss development method, the regulator's preferred method. Sandilya misrepresented the methodologies used in his analysis and failed to provide the regulator with an explanation of the rationale that he had used to derive his estimates. This failure caused the regulatory authority to conclude that Sandilya had materially violated the applicable regulations governing his work product and resulted in the regulator's not recognizing or accepting any work prepared by Sandilya for a period of two years subsequent to the regulatory finding.

Sandilya appealed the regulatory authority's decision and the appellate court modified the suspension to that of a warning. The appellate court noted that it was unable to understand why the appellant could not put forward these factors during discussion with the regulator or company officials and record the same clearly, and it further concluded that these are symptoms of dereliction of due care and attention expected from a professional, particularly a senior one.

The work for which Sandilya was engaged is governed by regulatory guidance. Specifically, Sandilya indicated

he was governed by Circular No. 11 titled "Guidelines on estimation of IBNR Claims provision under General Insurance Business" and the 2008 "Manual for Estimation of Provision for IBNR and IBNER Claims in General Insurance Business."¹ In performing his work, Mr. Sandilya materially failed to comply with this relevant regulatory guidance and, therefore, materially violated Precept 3 of the Code.

Finally, Mr. Sandilya materially violated Precept 1 of the Code by failing to perform Actuarial Services with skill and care by:

- a. Failing to appropriately document, disclose and communicate the methods and assumptions used in his analysis to his principals, the ABCD and the Discipline Committee Panel.
- b. Misrepresenting the methods and assumptions used in his analysis of the health and motor liability lines of business in both the IBNR Report as well as the FCR.
- c. Providing no basis for the range of IBNR estimates provided in the addendum to the FCR.
- d. Inaccurately responding to the regulator's inquiries with respect to the methods used and the rationale for his estimates. ●

¹ Both of these references are published by The Insurance Regulatory and Development Authority of India.