

Professional Opportunities for Chartered Accountants in Insurance Sector



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

Professional Opportunities for Chartered Accountants in Insurance Sector



Professional Development Committee
The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
New Delhi

© THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA

Basic Draft of this publication was prepared by CA. P.S. Prabhakar,
Chennai

All rights reserved. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or by any means, electronic mechanical, photocopying, recording, or otherwise, without the prior permission, in writing, from the publishers.

Edition : January 2024

Committee/Department : Professional Development Committee

Email : pdc@icai.in

Website : www.icai.org

Price : 60/-

ISBN No. : 978-81-962488-2-6

Typeset by : Elite-Art, New Delhi

Published by : The Publication & CDS Directorate on behalf of The Institute of Chartered Accountants of India ICAI Bhawan, Post Box No. 7100, Indraprastha Marg, New Delhi – 110 002 (India)

Printed by : Perfect Impression Pvt. Ltd.

Foreword

Insurance is one of the fastest growing sectors in India. In the year 2022, the Insurance Regulatory and Development Authority of India (IRDAI) has committed to enable 'Insurance for All' by 2047, where it is envisioned that every citizen has an appropriate life, health and property insurance cover and every enterprise is supported by appropriate insurance solutions and also to make Indian insurance sector globally attractive and competitive.

As the insurance sector undergoes unprecedented transformations fuelled by technological advancements, regulatory shifts, and evolving consumer demands, the role of Chartered Accountants become increasingly pivotal. Chartered Accountants, well equipped with their comprehensive financial acumen and unwavering commitment to ethical standards, find themselves uniquely positioned as architects of financial strength and strategic foresight in this challenging environment.

I am pleased to note that the Professional Development Committee (PDC) of ICAI has come up with the publication '*Professional Opportunities for Chartered Accountants in Insurance Sector*' with a view to serve as an enlightening guide to the abundant Professional Opportunities available for Chartered Accountants in the intricate landscape of insurance.

I extend my heartfelt appreciation to CA. Prasanna Kumar D, Chairman, PDC, CA. Mangesh P. Kinare, Vice Chairman, PDC and other members of PDC for their dedication and efforts in bringing out this publication.

I am sure that this publication will be a very useful resource for the members.

30th December 2023
New Delhi

CA. Aniket Sunil Talati
President, ICAI

Preface

The landscape of the insurance sector in India has undergone significant changes, marked by regulatory amendments and a growing emphasis on risk management and financial compliances. The insurance sector has experienced robust growth, propelled by technological progress, changing consumer behaviours, and an expanding economy. This growth trajectory has opened up diverse avenues for Chartered Accountants to contribute their specialized skill set and knowledge.

In this dynamic environment, Chartered Accountants play a pivotal role, leveraging their expertise in finance, auditing, and compliance to capitalize on the myriad opportunities within the insurance industry.

The Professional Development Committee of the Institute recognizing the vast potential that the insurance industry holds for the professional growth of its members, has brought this publication with the principal objective to create awareness about the various opportunities and areas within the insurance sector that could serve as promising domains for Chartered Accountants to explore.

We would like to place on record our special thanks to CA. Aniket Sunil Talati, President ICAI and CA. Ranjeet Kumar Agarwal, Vice President of ICAI for their support and encouragement.

We would like to express our sincere gratitude to CA. P.S. Prabhakar, Senior Chartered Accountant from Chennai for his valuable contribution for this publication which surely will be useful to its readers.

We would like to extend our gratitude to CA. PC Agiwal and CA. Krishna Sai for shaping the publication.

We would like to thank all the members of the Professional Development Committee for their inputs and PDC Secretariat for all their support.

We hope the members and stakeholders concerned would find this Publication on Professional Opportunities for Chartered Accountants in Insurance Sector immensely useful and it would serve as a handy tool.

CA. Prasanna Kumar D

Chairman,

Professional Development Committee

CA. Mangesh P Kinare

Vice- Chairman,

Professional Development Committee

30th December 2023

New Delhi

Contents

1.	Introduction.....	6
1.1	Insurance in India	7
1.2	Insurance by 2047	8
1.3	Chartered Accountants' Role	9
2.	Opportunities galore for Chartered Accountants.....	10
2.1	Auditing Sector	10
2.2	Advisory and Consultancy Sector.....	15
2.3	Service and Employment Sector	20
3.	Process/Pathways for CAs to explore opportunities in the Insurance Sector	21

Professional Opportunities for Chartered Accountants in Insurance Sector

1. Introduction

In the primordial days, much before river-based civilizations began, humans were co-existing with wildlife in the forests, feeding each other's hunger. However, animals being nocturnal, had a distinct advantage of hunting humans at night, when they were defenseless. Hence, to protect themselves, men started building caves to dwell in safety. When people had their own caves, they began having their own possessions – be it weapons or implements or food supplies. With 'ownership' came possessiveness and the need to secure them. Humanity began devising methods to protect and safeguard the 'possessions' and in its constant quest for security, over time, insurance came to be conceived as an effective tool.

Modern insurance had its beginnings in maritime trade and hence marine insurance is known as the mother of all insurances. It had its humble beginning at a Coffee shop at London owned by one Edward Lloyd way back in 1686, which was a popular meeting place for sailors, merchants, and shipowners. Lloyd catered to them by providing reliable shipping news and the lore has it that it was he who began the practice of keeping a 'slip' of paper on the pinboard to detail every prospective voyage and encouraging every other sailor or maritime merchant to 'write' a sum underneath against their respective 'names'. This was essentially to serve as a commitment to contribute the relative sums, in case the said voyage became a loss, to the ship owner. Thus, it is said that insurance was born. That coffee hub gave birth to the giant insurance market called Lloyds of London and the important terms like 'underwriting', 'slip' etc. are still used in the industry.

From such humble beginnings, insurance today has emerged as a global, multi- billion and highly techno-intensive industry encompassing a very wide range of insurable products – human life to honey bees, ships to satellites, prawns to projects, elephants to extortion liabilities - the list is indeed endless.

The importance of the insurance industry can never be over emphasized. While it is the banking industry that creates wealth (especially in a debt driven economy like India), it is the insurance industry that protects such

wealth and helps nation building process as well.

1.1 Insurance in India

The history of insurance in India is deeply rooted, and the journey extends over 200 years. Business-wise, life insurance was introduced in 1818 when the Oriental Life Insurance Company was launched in Calcutta. However, during this era, the market was dominated by foreign insurance offices. Then, in 1912, the Indian Life Insurance Companies Act emerged as the first legislation to regulate life insurance in India. Thereafter, in 1938, The Insurance Act, 1938 came into force which was the first legislation governing both Life Insurance and non-life insurance to provide strict control over insurance business. The nationalization of the insurance sector happened in January 1956 with the emergence of LIC (Life Insurance Corporation), which subsequently absorbed a total of 245 Indian and foreign insurers. Until the 1990s, the LIC had a monopoly in the market when the insurance sector reopened for the private sector and the changes started to show up.

With the recommendations of the Malhotra Committee, IRDA (the Insurance Regulatory and Development Authority) was established in early 2000 as a statutory body to regulate the insurance industry and it changed the landscape of the industry irrevocably. Over the past two decades, the insurance market in India has experienced impressive growth, thanks to increased private sector involvement, better distribution capabilities and significant increases in operational efficiency. The insurance sector has never looked back since the sector underwent liberalization and it is now one of India's most competitive and developing sectors.

Insurance is also one of the fastest growing sectors in India. Today, there are 27 non-life insurance companies, 23 life insurance companies, 5 Health insurance companies and 1 reinsurance company. The annual gross premiums written in India reached over Rs. 10 lakh crores and the total investments of the industry has crossed Rs. 60 lakh crores. If we assimilate such stunning numbers in the backdrop of the insurance penetration ratio in India which is just about 4.2 per cent, while the world average is 6.4 per cent and many developed and developing nations well over ours, we can certainly aver that there is a substantial headroom for further growth leading to humongous opportunities.

The growth momentum is expected to be sustained in the backdrop of policy reforms such as increase in the FDI limit, opening up of foreign reinsurance branches, dynamic changes in terms of product innovations, distribution methodology and services rendered.

Swiss Re, one of the most prominent reinsurance companies of the world, forecasts that India will be the sixth largest in insurance by 2032. To quote their report: *"We estimate that total insurance premiums will grow on average by 14 per cent annually in nominal local currency terms (9 per cent per annum in real terms) over the next decade. We forecast that life insurance premiums will grow by 9 per cent annually (in real terms) by 2032, making India the fifth largest life market globally. COVID-19 has generated increased risk awareness and demand for life insurance. Regulatory developments and digitalization should also support sector growth. We estimate that non-life insurance premiums will continue to grow in 2022 and 2023, but at a slower pace due to the Russia-Ukraine war and high inflation. Health is the largest line of business in the non-life sector, followed by motor and agriculture. Health premiums grew by 22.5 per cent in 2021, mainly due to a pandemic-related push in demand. We estimate motor premiums will grow by 2.9 per cent in real terms in 2022, mainly due to a rebound in economic activity and higher mobility post Covid pandemic. India is exposed to a wide range of natural catastrophes including earthquakes, tropical cyclone, floods and wildfires. Many parts of the country are vulnerable to more than one peril. The natural catastrophe protection gap in India was 95 per cent, or USD 2.61 billion, in 2021, one of the highest in the world and significantly above the emerging markets' average. With respect to climate change effects, rising temperatures are leading to more intense rainfall and higher drought risk. Innovative re/insurance solutions such as parametric or index-based insurance can play an important role in helping to bridge this protection gap by making insurance products more affordable and accessible".*

1.2 Insurance by 2047

New landscape for insurance sector, the Insurance Regulatory and Development Authority of India (IRDAI) has committed to enable 'Insurance for All' by 2047, where every citizen will have an appropriate life, health and property insurance cover and every enterprise will be supported by appropriate insurance solutions and also to make Indian insurance sector globally attractive. To attain this objective, efforts are being made towards

creating a progressive, supportive, facilitative and a forward-looking regulatory architecture to foster a conducive and competitive environment leading to wider choice, accessibility, and affordability to policy holders. The reform agenda draws inspiration from the Government of India's vision of financial inclusion and strong emphasis on accelerating reforms.

1.3 Chartered Accountants' Role

Chartered Accountants (CAs) have a huge role to play in the insurance sector. With their vast understanding of the financial services, CAs are typically positioned to be excellent ambassadors of the cause of spreading the importance of risk management that would eventually lead to protection of invaluable assets. Further, being an important component of some of the professional roles like surveyors and loss assessors, Chartered Accountants can be very effective mediators between the insurers and the insured in reducing avoidable controversies and insurance related litigation. In the aftermath of large corporate failures globally, the emphasis on financial reporting on public domains in order to enable the users to draw their own conclusions has been gaining lot of importance. CAs can play the role of enabling the players to successfully fulfill this function, on the one hand, and enabling the users to make a proper interpretation of the details, on the other, effectively, thus contributing to the accomplishment of a strong domain. There has also been growing importance of compliance with statutory/regulatory requirements in order that the incidence of financial scams and/or corporate debacles is kept in check. Chartered Accountants are best placed to handle such assignments in view of their ability to understand the requirements and successful reporting – no wonder that most compliance officers in large corporate undertakings are CAs.

2. Opportunities galore for Chartered Accountants

Let us see what all the opportunities the practicing Chartered Accountants have in this growing industry.

2.1 Auditing Sector

2.1.1 Traditional Areas

A) Statutory Audit:

As every insurance company has to be a company within the meaning of The Companies Act, 2013, the provisions of the same will be applicable to the insurers. While the appointment of statutory auditors of public companies will be done by Comptroller and Auditor General of India, the auditors of every private company shall be appointed by the shareholders. There are guidelines on appointment of statutory auditors and the Corporate Governance Guidelines for Insurance Companies issued by IRDAI enumerate them. As per IRDAI guidelines, insurance companies should have joint auditors. Though the statutory audit of insurance companies is within the statutory realm of the Companies Act, the reporting requirement goes several miles more than mandated in the Companies Act.

Schedule C of the IRDAI's "Preparation of Financial Statements and Audit Regulations" mandates that the auditors have to comment on the assumptions made by actuarial valuers as well as the valuation of investments.

They also have to certify that they have reviewed the 'management report'* and there is no apparent mistakes or material inconsistencies with the financial statements.

**A "Management Report" is the one that needs to contain important disclosures, as a part of annual reporting requirement. It consists of various confirmations, certifications, declarations & disclosures besides a comprehensive responsibility statement. It is an audit programmed by itself!*

B) Internal Audit

Chartered Accountants can work as internal auditors in insurance companies, ensuring compliance with regulatory policies and identifying financial risks or irregularities.

C) Tax Audit

Here again, the mandate flows from the Income Tax Act. Generally, the statutory auditors themselves are appointed for tax audits as there is no bar for the same.

2.1.2 Regulator Mandated Audits

A) Investments

Section 114A of the IRDA Act has given powers to the regulator to frame regulations on various issues. In exercise of such powers, the IRDAI has come out with more than 60 Regulations so far on all major areas of operations or concerns – right from crucial ones such as financial reporting, investments, social and rural sector obligations, solvency margin, reinsurance – to administrative ones like maintenance of records, manner of receipt of premium, agents & brokers and to important ones like health insurance, reinsurance, micro insurance etc.

A conscientious regulator's job does not end with framing of regulations. (Actually, it starts with that!). It has to ensure such regulations are complied with in letter and spirit and for verification of such compliances, have to depend on domain-savvy experts. Insurance, being an important financial services industry, who better than Chartered Accountants can fill the bill for such compliance verification mechanism?

In fact, one of the earliest Regulations of IRDAI was on Investments where aspects such as limits on types of investments, limits on investee company, investee group, investee industry, prudential and exposure norms etc. have been adequately dealt with, besides the t prescriptions on administrative areas such as framing of investment policy, constitution of investment committee etc.

Even the first version of the Investment Regulations contained extent prescriptions on issues like framing up, approval & periodical review of the Investment Policy and constitution of Investment Committee (with independent directors) as early as in the year 2000 – much before Enron influenced Sarbanes Oxley Act came in to being. That way IRDA gave the insurance industry the taste of corporate governance much before SEBI gave it to the corporate world of India. It has to be noted that in one of the most

important areas viz., investments, the regulator has incorporated built-in provisions in the Regulation itself for a two-tier audit – viz., systems & processes for risk management and internal / concurrent audit at the transaction level.

For this, IRDAI had engaged ICAI in a joint initiative to lay down the methodology of such audits by bringing publications on **Technical Guide on Review and Certification of Investment Risk Management Systems and Processes of Insurance Companies (2013)** and **Technical Guide on Internal/Concurrent Audit of Investment Functions of Insurance Companies (2013)**, with extant check lists that cover every area.

B) Certification Process

All the companies, without exception, were required to undergo the certification processes in respect of systems, processes and IT related compliances within a definite time frame even at the licensing stage. This ensured that the companies came into being with a state of preparedness for the regular internal and concurrent audits that are to follow.

2.1.3 Investment Risk Management Systems & Process Audit

Exclusively targeted at the investment function of insurance companies, the IRMS audit is mandated for every insurance company once in every two years and cover verification of adherence to investment policy, standard operating procedure, minutes of Investment Committee meetings, functions of front office, mid office, and back offices, dealing room guidelines, insider trading guidelines, risk management processes, integrity of the application software used etc.

This is essentially a checklist-based audit as per the prescriptions of the Technical Guide referred to above to audit the systems and processes in place.

2.1.4 Concurrent Audit

Every insurer having AUM beyond Rs. 1000 crores has to subject itself to a concurrent audit of investment functions. While IRMS audit covers the verification of systems and processes, concurrent audit's scope is to verify

and audit at the transactional level. Being a checklist (prescribed by ICAI) based audit, it covers monitoring of the adherence of exposure limits prescribed (industry, investee, promoter groups), quality of investments based on rating criteria, custodial audit process, NAV verifications (for linked policies) etc.

There are guidelines as to the eligibility conditions of Chartered Accountant firms for appointment as IRMS / concurrent auditors and these can be found in the IRDAI's Master Circular on Investments issued in May 2017.

2.1.5 Cyber Security Audit

A recent initiative of IRDAI is the prescription of cyber security audit for insurance intermediaries like brokers, corporate agents, web aggregators, insurance repositories etc. Triggered by an alleged hacking of a website of a popular web aggregator, this audit is primarily targeted at the ascertainment of the robustness of the e-commerce function and the strength of data security where a lot of information are gathered through online.

IRDAI had earlier issued Cyber Security Guidelines in April 2017. However, considering the widespread adoption of digital technologies and the consequent increase in cyber security incidents, revised exhaustive guidelines have been issued in April 2023 to ensure that insurers and intermediaries strengthen their defenses as well as related governance mechanism to deal with such emerging cyber threats.

Eligibility conditions for CA firms have been prescribed for appointment as cyber security auditors. This audit is also a checklist-based audit, and the checklist is exhaustive.

The certification under IRDAI Cyber Security Guidelines does not recognize Management Representations (MRs) or reliance on other auditors' work, as the auditor is engaged by regulated entities which are to protect policyholders and general public information / data, as a part of IRDAI's mandate. Thus, the auditor shall perform the audit with interview, document verification, compliance checks, substantive checks of controls as per recognized standards.

2.1.6 Other Possible Audits

The other possible audits and opportunities discussed henceforth will be non-life insurance industry centric, in view of the extent and variety.

A) Claims Audits

Claims outgo is the single largest expense for any insurer. While survey and claims adjustments can be a preferred opportunity for a Chartered Accountant, with due process of prescribed procedures (vide IRDAI circular INV/CIR/008/2008-09 dated 22nd August 2008 which includes a short training under a licensed surveyor), many insurers prefer to obtain expert opinion of Chartered Accountants in claims arising in specific portfolios such as banker's indemnity, stock loss, fidelity guarantee, loss of profits, business interruption etc.

The insurance industry is perhaps the only one in the service sector where there are statutory restrictions on the expenses of management that include procurement costs. This is because of the fact that the funds of insurers belong predominantly to the policyholders for payment of claims for the indemnified losses and hence extravagance in expenditure is strictly discouraged. Insurers would prefer to have efficiency audits in this area.

B) IT GC Audits

All the insurance companies have gone for either an end-to-end integrated software or have implemented module-wise software and integrate them with back office. Statutory auditors, who may not have the technical expertise to verify the coding and trails, can draw comfort only if a comprehensive IT General Controls audit is done. There are several instances of statutory auditors insisting for such audits based on ISO 27001, with scope that should include data security, BCP/DR and online marketing etc. Chartered Accountants with DISA / CISA qualifications can pitch in for these assignments.

C) Forensic Auditing

The insurance sector is always susceptible to fraudulent activities, including false and fraudulent claims and misrepresentation.

Hence, there is a huge scope for forensic audit in the insurance industry. In areas such as fire insurance, theft insurance, liability insurance, motor third Party insurance, there are immense scope for fraudulent claims. as

insurance is heavily using more portals and apps, as per the National Investment Promotion & Facilitation Agency's data. They are preferring digital insurance options; for GI (General Insurance) and HI (Health Insurance) products, 73 per cent and 62 per cent of customers, respectively, preferred the online mode. As technology becomes more prevalent in the industry, more people will have access to insurance and will connect with the insurance industry. The data clearly points towards a trend that though the consumers are using the online tools to compare and research the various insurance products, they, prefer offline support to understand the intricacies and ultimately making the final purchase.

Despite the technological advancements, there is still a requirement for the human touch in the insurance industry. As the products are complex, the customers may not understand the technicalities or the jargon of the industry. Ordinary insurance customers tend to be less tech-savvy, and hence there is a clear need for knowledgeable professionals who can guide clients through the complexities of their policies and make sure that they are adequately covered. Additionally, they can offer advice on the different kinds of policies that are available and assist clients in selecting the one that is most appropriate for their requirements. Therefore, the growth of the industry will be assured with the amalgamation of technology with the human touch.

IRDAI too has taken a way forward in this regard and started arranging for an open house suggestion from all the insurance companies for Insurtech that is conducted on 15th of every month, to improve in this area.

2.2 Advisory and Consultancy Sector

2.2.1 Risk Management and Insurance Consultancy

In the preceding discussions we have seen the various professional opportunities for Chartered Accountants that emanate from the insurance industry. However, there are myriad opportunities that CAs can create for themselves in this exciting arena by venturing into insurance consultancy and risk management advisory. Charity should begin at home. We need to explore risk management consultancy areas starting from our own clientele, who are into various types of businesses.

Business world is fraught with risks galore. Unless a loss hits a businessman, he never realizes the importance of insurance. For him, insurance is an avoidable cost of funding and hence goes by the banker's (or funder's) recommendation without looking into the risk assessments, mitigation possibilities etc. In the process, he may end up paying more for less viz., higher premium for inadequate or inappropriate coverage.

With some domain knowledge, Chartered Accountants with their knowledge in financial management can offer consultancy on risk management and insurance of varied nature – from Motor to Stocks to Declaration covers to Fidelity Guarantee to Business Interruption insurance to Business All Risks to Keyman protection and the list is indeed endless.

The consultancy may range from suggesting the right kind of insurance covers and adequacy of sum insured, thereby ensuring maximum possible coverage at minimum possible cost.

Chartered Accountants can work as consultants in the insurance sector, providing expert advice on various areas such as risk management, financial reporting, regulatory compliance and mergers and acquisitions.

Chartered Accountants with financial expertise can work in investment banking roles within the insurance sector, advising on merger and acquisition, capital raising and financial restructuring.

Chartered Accountants can play a valuable role in developing features of an insurance product. They possess adequate knowledge of the financial and technical aspects pertaining to the industry and can apply their skills to yield well-tailored products incorporating the desired features.

- **Actuarial Services:** Chartered Accountants can work as actuaries in the insurance sector, analyzing statistical data and calculating insurance premiums, claim reserves, and other financial projections.
- **Financial Planning and Analysis:** Chartered Accountants can work in financial planning and analysis roles in insurance companies, analyzing financial statements, preparing budgets, and conducting financial forecasting to support strategic decision making.
- **Insurance brokerage:** Chartered Accountants can work as insurance brokers, helping individuals and businesses to understand their insurance needs, negotiate insurance contracts and manage claims.

- **Arbitration Services:** Chartered Accountants can act as Arbitrator between the insurance company and the policy holders to resolve the disputes about the quantum of loss.
- **Online Salvage Disposal:** Nowadays, Insurance companies are appointing Chartered Accountants for salvage disposal process in view of their expertise and knowledge.

Let us see some examples:

Many of us are not aware that in “motor own damage” insurance, the no claim discount goes with the owner and not with the car. Let us assume Mr. X has been driving a Maruti Alto car for 5 years with an insured value of INR 300,000/- (and which has earned a “no claim discount” of 50 per cent). The rough annual premium (before NCD) will be say ₹ 7500/- and post NCD will be ₹ 3750/-. Suppose Mr. X goes for a new Honda Accord and the OD insurance premium for an insured value of say ₹ 20 lakhs is ₹ 50,000/-, Mr. X can simply transfer the NCD to his new car, not just by its quantum but by its percentage which means, his new car’s insurance premium, post the NCD will be ₹ 25,000/- only.

In some health insurance policies, the cost of master health checkup is reimbursed up to certain limits after a few claims free years.

In marine cargo policies, the possibilities of open cover and in-stock policies, declaration covers can maximize the coverage at minimum prices.

In fund driven policies, while over insurance does not benefit in any way, under insurance results in lower claim settlement, in case of losses, as condition of average* would apply.

*If stock worth ₹ 10 lakhs is insured for ₹ 6 lakhs only (as the loan amount was only that much) and ₹ 4 lakhs worth of stock is destroyed by fire, the claim payment will be considered only for ₹ 2.4 lakhs as per the condition of average. ($\frac{6}{10}$ th of ₹ 4 lakhs).

Only a person with some insurance knowledge can advise about all these. The above are just a few simple examples of possible insurance consultancy to our own clientele.

In today’s scenario, we have many innovative insurance products about which even finance professionals and corporate advisers are not aware.

Professional Opportunities for Chartered Accountants in Insurance Sector

Some of them are briefly explained below:

- A) A **Stock Throughput Policy** insures a company's goods throughout the supply chain, from production to final destination.
- B) **Key Person Insurance** - Many businesses rely on a few key individuals who are important to the company's success. The business would have invested substantially on such persons, who may possess lots of critical knowledge on several processes. It is prudent to have a financial safety net if something were to ever happen to such a key employee of the company. The indemnity can be for any losses suffered, debts incurred, and costs borne for finding and hiring a suitable replacement.
- C) A **CGL insurance policy** is designed to protect businesses against any legal liability that involves the necessity of financial compensation for damage or injuries caused to any third party from routine business operations.
- D) **Cyber insurance** provides coverage to commercial establishments against intentional or accidental cyber-attacks and ransomware breaches and provides indemnity against financial losses due to online fraudulent activities related to IT infrastructure and customers' confidential data.

There are many more like

- ❖ Advance LOP (aka Business Interruption)
- ❖ Fidelity Guarantee,
- ❖ Credit Shield,
- ❖ Fine Arts & Paintings Insurance,
- ❖ Horticulture (Plantations & Fruit bearing trees), Floriculture (Flowering plants) & Sericulture (Rearing of Silkworm)
- ❖ Intellectual property insurance,
- ❖ Professional Indemnity and D&O liability,
- ❖ Event insurance & Film production insurance,
- ❖ Stock deterioration, etc.

2.2.2 Other Consultancy

a) Tax laws and compliances thereunder

Income tax computation and compliances at the time of assessment and appeals for companies under insurance industry are more complicated than they are for any other industry. Taxation of insurance companies is governed by section 44 of the Income Tax Act, 1961 read with the First Schedule to the Act. By a not-so-distant amendment, insurance companies have been brought within the ambit of section 115JB also. Due to many possible interpretations and also due to the proclivities of tax officials (during assessment representations) to take safe pro-revenue stances, the area of litigation is a fertile one. Chartered Accountants, intending to practice in these challenging areas, will have to familiarize themselves with the law and judicial precedents.

b) GST law compliance

Again, applicability of GST and availment of input credit have become a knotty issue for many insurers. Practice in this area can be intellectually and financially rewarding.

c) Obtaining License From IRDAI

Chartered Accountants can help in creating detailed business plans along with Actuaries which will be submitted to the Regulator for obtaining license from IRDAI. With profound knowledge on Companies Act, 2013, they can help in creating tax efficient entity structures which will be helpful for the promoter group in the event of dilution/ IPOs.

On issuance of an R1 certificate, an insurer has to comply with certain requirements (conditions precedent) to obtain R2 and R3. Certificates. IRDA vide Circular INV/CIR/008/2008-09 dated 22nd August 2008 had directed all insurers to obtain a certificate from a Chartered Accountant for complying with the requirements on investment systems and process before filing for R2/R3.

2.3 Service and Employment Sector

Many young CAs, aspiring for employment opportunities in Insurance sector may get placements in some of the following areas:

- a. Finance & Accounts
- b. Investments
- c. Equity Research
- d. Compliance Officer
- e. Fund manager
- f. Risk Manager
- g. Audit coordinator
- h. Actuarial Services
- i. Insurance broker
- j. Claim Assurors and negotiators.

In terms of national as well as international opportunities, Chartered Accountants with insurance expertise can explore job prospects in global insurance companies, consulting firms, and financial institutions operating in different countries. Countries with well- developed insurance sectors such as the United States, United Kingdom, Germany, Canada, and Australia offer promising career prospects for Chartered Accountants in the insurance sector.

It is to be noted that domain knowledge augmentation is very important to make use of the myriad opportunities that are available.

On the subject of domain knowledge augmentation, one will be interested to know that there are specialized institutions like Insurance Institute of India, Institute of Insurance & Risk management that conduct certificate courses at various levels. Even ICAI conducts a Post Qualification Course on Diploma in Insurance and Risk Management (DIRM) for its members to enable them to leverage professional opportunities in ever growing insurance sector. The DIRM Course offers a rich curriculum that sets the learning standards in Insurance and Risk Management and provides industry specific knowledge to comprehend the nitty-gritties of the industry. Built on the strong foundation of the Chartered Accountancy course, a DIRM qualified member is empowered

with focused domain knowledge to usher in best practices in field of Insurance and Risk Management.

3. Process/Pathways for CAs to explore opportunities in the Insurance Sector

As we have discussed various opportunities available for Chartered Accountants in the insurance sector, let us now understand the processes or pathways by which Chartered Accountants can explore these opportunities.

- There are certain opportunities, where a statute provides guidelines for appointment. The statutory audit of a government company or other company owned by the Government is appointed by the Comptroller & Auditor General of India (C&AG). Therefore, Chartered accountants need to participate in the empanelment process with the C&AG. For other companies, the appointment is made by the shareholders of the company during the Annual General Meeting for five consecutive years.
- An internal auditor is appointed by the company's Board of Directors. The internal auditor may be an employee of the company, or an individual/firm of Chartered Accountants appointed by the Board.
- Tax audit is governed by the Income Tax Act, 1961; however, the appointment of a Chartered Accountant is made by the Board of Directors of the company. The tax auditor may be the statutory auditor or any other Chartered Accountant/CA firm.
- Opportunities in the investment function, such as concurrent audit and investment risk management systems & process audit, are governed by IRDAI for the appointment of auditors. While the management of the insurance company appoints such auditors, the eligibility criteria for these auditors are governed by the Investment guidelines of IRDAI.
- For other avenues like cyber security audit, IT G\general controls audit, forensic audit, Chartered Accountants should have relevant technical knowledge and requisite qualifications like Diploma in Information Systems Audit (DISA) certification in certain scenarios to seize these opportunities.
- For opportunities in the insurance business itself, like insurance broker, surveyor, and loss assessors, Chartered Accountants need to get an

appropriate license, training, and approval from the regulator, for which IRDA regulations need to be followed.

- In addition to this, there are various opportunities discussed above where the management of the company appoints CAs based on their domain knowledge and expertise. This would include income tax & GST compliance and litigation work, claim audit, Operating Expenses (OpEx) audit, and other advisory and consulting services. Any Chartered Accountant having such domain knowledge may apply for these opportunities with the management of the company.

Conclusion

There are growing opportunities in Insurance industry as it is set to grow exponentially both qualitatively and quantitatively. CAs will be a very great value addition to the professionalism that is already strong in the industry. With more professionalism, industry will grow faster. As industry grows, opportunities in various vistas will grow for professionals. Shouldn't the 5 trillion-dollar economy be in 'safe hands'?

ISBN: 978-81-962488-2-6



www.icai.org