



Institute
and Faculty
of Actuaries

Proposals for the introduction of a new Actuarial Profession Standard APS G1: The Chief Actuary in Non-Life Insurance

by the Regulation Board

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FOREWORD

We would like to invite you to participate in this consultation about the Institute and Faculty of Actuaries' (IFoA) proposal to introduce a new Actuarial Profession Standard (APS) which sets out the regulatory requirements for members carrying out the statutory role of Chief Actuary for UK authorised general insurance companies and Lloyd's syndicates (to be known as APS G1: The Chief Actuary in Non-Life Insurance).

Following two consultations by the IFoA on the introduction of the "Chief Actuary" role by the Prudential Regulation Authority's (PRA) under Solvency II, we have decided to introduce a compulsory Practising Certificate for IFoA members who are approved as "Chief Actuary" in non-Life undertakings. The criteria for the role were published on the IFoA's website in July 2015 and members were able to submit applications for a Chief Actuary Practising Certificate from 1 September 2015.

APS G1 essentially supports this decision and is the mechanism by which the IFoA will require members who wish to carry out the Chief Actuary function to obtain a Practising Certificate from the IFoA. We plan that APS G1 will come into force on 1 January 2016 to coincide with the inception of Solvency II.

The IFoA's primary aim is to ensure the protection of the public interest by maintaining a proportionate and targeted regulatory framework. We are cognisant that the Chief Actuary function is a significant public interest role and that reliance will be placed on IFoA membership. APS G1 therefore forms part of the measures the IFoA intends to implement to support its members and assure confidence in the actuarial profession as we move towards implementation of the Solvency II regime.

We thank you for taking the time to consider these proposals and look forward to receiving your comments.

A handwritten signature in black ink, appearing to read 'Desmond Hudson', with a horizontal line underneath it.

Desmond Hudson

Chair of the Regulation Board of the Institute and Faculty of Actuaries

SECTION 1

Background to the Consultation

The [Solvency II Directive](#)¹ aims to establish a revised set of EU-wide capital requirements, risk management standards and reporting requirements across the 28 European Union (EU) Member States plus three other members of the European Economic Area (EEA) and brings together life assurance and general insurance into a single set of regulations. With the aim of achieving consistency across Europe, the Directive identifies tasks to be performed by certain functions, including the actuarial function, and seeks to ensure that those performing tasks should be “fit” and “proper”.

In April 2014, the IFoA published a [consultation](#), in response to the introduction of the Solvency II Directive. The purpose of that consultation was to canvass views to inform our approach to the regulation of our members who may perform significant functions under the Directive.

In light of the [responses received](#), the IFoA decided to introduce a compulsory Practising Certificate for IFoA members who are approved as “Chief Actuary” under the PRA’s Senior Insurance Mangers Regime in both Life and non-Life undertakings.

A further consultation was published in December 2014 which sought feedback on the details of the proposals, including the impact on those in the Lloyd’s environment. A summary of the consultation responses has been published on the [IFoA’s website](#). The feedback document also sets out the criteria which, having had regard to the responses, we will require applicants to demonstrate.

As noted above, the revised Practising Certificates Scheme was published on the IFoA’s website in July 2015, with applications being accepted from 1 September 2015. There will be two types of Practising Certificates available for Chief Actuaries in non-Life undertakings:

1. Chief Actuary (non-Life with Lloyd’s); and
2. Chief Actuary (non-Life without Lloyd’s).

The Chief Actuary (non-Life with Lloyd’s) will not incorporate the technical criteria for a Lloyd’s Practising Certificate; therefore a Lloyd’s Practising Certificate will continue to be needed in respect of Statements of Actuarial Opinion (SAOs). A Chief Actuary (non-Life with Lloyd’s) Practising Certificate holder will also need a Lloyd’s Practising Certificate if they wish to sign SAOs for Lloyd’s or Lloyd’s syndicates.

In order to ensure the requirement for members fulfilling the role of Chief Actuary to hold a Practising Certificate is enforceable, it is necessary to incorporate this obligation into an Actuarial Profession Standard (APS). This is similar to the approach taken in relation to other Practising Certificates, for example APS L1: Duties and Responsibilities of Life Assurance Actuaries requires Actuarial Function Holders, With-Profits Actuaries and Reviewing Actuaries to hold the relevant Practising Certificate. This consultation seeks views on the content of the new standard, which will be known as APS G1: The Chief Actuary in Non-Life Insurance.

The IFoA is consulting separately on amendments to APS L1 to incorporate the requirement for members performing the Chief Actuary function in a Life Undertaking to hold a Practising Certificate. This consultation can be found on the IFoA’s [website](#).

¹ <http://eur-lex.europa.eu/legal-content/EN/ALL/?isessionid=1B3ZT2SQ3pQlwwX1JZhHRMZGvq25tpBD9LiQnSnWMPpJhvHSLM8xI-4829918302uri=CELEX:32009L0138>

SECTION 2

The proposals- draft APS G1

The draft APS G1 at **Appendix 1** requires members performing the function of a Chief Actuary in a Solvency II firm to hold one of the following Practising Certificates:

- Chief Actuary (non-Life with Lloyd's); or
- Chief Actuary (non-Life without Lloyd's).

Members performing the Chief Actuary function within the Society of Lloyd's or a Lloyd's managing agent must hold the Chief Actuary (non-life with Lloyd's) Practising Certificate.

The following is a summary of the other key provisions of the draft APS:

- a member must have the necessary skill and experience to provide appropriate actuarial advice before accepting an appointment as a Chief Actuary;
- Chief Actuaries must be familiar with the obligations imposed upon them by the PRA's Senior Insurance Managers Regime;
- Chief Actuaries must use adequate, applicable and relevant actuarial and statistical methods;
- in the event that the Chief Actuary adopts a practice which is significantly different from non-mandatory accepted actuarial practice, they must disclose their reasons for this;
- a Chief Actuary must, without delay, notify the PRA in relation to their resignation or termination of their appointment;
- the Chief Actuary must have the right to present a report to the firm's governing body should the Chief Actuary deem the report to be sufficiently important;
- the Chief Actuary must ensure that they have sufficient information and resources to enable the necessary investigations to be carried out; and
- the Chief Actuary must use his or her judgement to decide which risks need to be monitored and the frequency of the monitoring and must advise the firm accordingly.

It is envisaged that the draft APS encapsulates the key expectations of Chief Actuaries. Members undertaking this role will also be required to adhere to the principles in the Actuaries' Code, principle 4 of which requires members to comply with all relevant legal, regulatory and professional requirements. This includes compliance with legislation and the PRA rules.

We are keen to hear your views on the content, drafting and presentation of APS G1.

The specific criteria that applicants must meet in order to obtain a Practising Certificate are set out in the [Practising Certificates Scheme](#) rather than in the APS. This allows greater flexibility to monitor and revise the criteria to ensure they remain appropriate, proportionate and fit for purpose.

As noted above, we have previously consulted on the decision to introduce a Practising Certificate for the Chief Actuary role and the specific details of this. We have therefore not sought further feedback on these matters in this consultation. Any views on the Practising Certificates regime should be provided to regulation@actuaries.org.uk.

SECTION 3

Questionnaire

We invite your comments on the above proposals. It would be helpful if you would provide your comments by responding to the following questions.

An online version of the questionnaire can be found on the IFoA's [website](#). Survey respondents are encouraged to complete the online survey – even if you need to leave some fields blank. We do appreciate however that some respondents will wish to respond in an alternative form. It would help us if such responses are submitted by email where possible. Our email address is: APSG1@actuaries.org.uk.

The following questions about you help us understand who our respondents are

1. ***About you**

Name	
Name of firm	
Position held	

2. ***Are you a member of the Institute and Faculty of Actuaries?**

Yes	No	
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3. ***Do you want your name to remain confidential?**

Yes	No	
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4. ***Do you want the name of your organisation to remain confidential?**

Yes	No	
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5. ***Do you want your comments to remain confidential?**

Yes	No	
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*** These questions are compulsory**

6. If you are a member of the Institute and Faculty of Actuaries, which category of membership do you hold?

Student		Honorary Fellow	
Affiliate		Student Actuarial Analyst	
Associate		Certified Actuarial Analyst	
Fellow			

7. If yes, what is your primary practice area? (If more than one, please indicate all that apply)

Life		Health and Care	
General Insurance		Education	
Pensions		Retired	
Finance and Investment		Other	
Enterprise Risk Management			

8. Do you hold a Practising Certificate issued by the Institute and Faculty of Actuaries?

If yes, go to question 9		If no, go to question 10	
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9. If yes, which area of practice does it cover?

Pensions		
Life		
Lloyd's		

10. What type of organisation do you work for?

Actuarial Consultancy		Bank	
Life Insurance Company		Investment Firm	
Non-Life Insurance Company		Other	
Lloyd's Managing Agent			
If other (please specify)			

11. If your organisation is an actuarial consultancy, what is the size of your organisation?

Sole practitioner	26-40 Fellows or Associates	
2-10 Fellows or Associates	40+ Fellows or Associates	
11-25 Fellows or Associates	Not applicable	

12. Do these comments represent your own personal views or your organisation's views?

Personal views	Organisation's views	
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The following questions are in relation to your views on the consultation paper

13. Do you have any comments on the requirements and provisions of the draft APS G1?

Yes	No	
Comments		

14. Do you think that any additional obligations should be included in APS G1? If so, please provide details.

Yes	No	
Comments		

15. We appreciate that there will be certain organisational arrangements which fall outside of the norm. Please tell us of any other arrangements which you think should be covered by a Chief Actuary Practising Certificate.

Comments

16. Do you think the obligations of Chief Actuaries are clearly set out in APS G1?

Yes	No	
Comments		

17. Do you think it would be helpful to have any further guidance and/or training opportunities in this area?

If yes, go to question 18	If no, go to question 19	
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18. If so, what should this guidance/training include?

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19. Do you have any other comments on the proposals or wish to add anything to inform our thinking?

Yes	No	
Comments		

SECTION 4

How to respond to this Consultation

The deadline for responses is **4 November 2015**.

A link to the [APS G1 questionnaire](#) can be found on the IFoA's website.

Responses may also be sent to APSG1@actuaries.org.uk or by post to:

APS G1 Consultation

The Institute and Faculty of Actuaries

Level 2

Exchange Crescent

7 Conference Square

Edinburgh

EH3 8RA

Collation of results, analysis and publication

The survey responses will be collated by the IFoA Executive and then shared with the Working Party and/or the Regulation Board. A list of respondents and responses may be published by the IFoA in its feedback document. Please set out clearly if you do not wish your name and/or response to be published. Responses will not be personally attributed to any particular respondent. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.

Consultation Meetings

We also encourage members and interested stakeholders to attend one or other of the following two consultation meetings to discuss and comment on these proposals:

The first meeting will be held in London from 17.30 on **24 September 2015**. Refreshments will be served from 17.00: and

The second will be held in Edinburgh from 17.30 on **28 October 2015**. Refreshments will be served from 17.00. Further details about both meetings can be found on the IFoA [website](#).

In order to gauge participant numbers, we should be grateful if you would please contact us at: <http://www.actuaries.org.uk/events> if you are planning to attend either of these meetings.

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SECTION 5

Continuing Professional Development

IFoA members may be entitled to claim CPD hours for reading this consultation paper and completing the relevant questionnaire. Please check the [CPD scheme](#) for your particular category recording and eligibility requirements.

Thank you for your time and interest.



Institute
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APS G 1: THE CHIEF ACTUARY IN NON-LIFE INSURANCE

Author:	GI Board
Status:	Approved under the Standards Approval Process
Version:	1.0, effective 1 January 2016
To be reviewed:	No later than 31 December 2016
Purpose:	To set out the requirements for actuaries carrying out the statutory role of Chief Actuary for UK authorised general insurance companies and Lloyd's syndicates and the relationship between them and the Members who support those role holders.
Authority:	The Institute and Faculty of Actuaries
Target Audience:	Chief Actuaries appointed by or in respect of UK authorised general insurance companies and Lloyd's syndicates and Members who support those role holders.

General Professional Obligations:

All **Members** are reminded of the Status and Purpose preamble to the Actuaries' Code which states that the Code will be taken into account if a **Member's** conduct is called into question for the purposes of the Institute and Faculty of Actuaries' Disciplinary Scheme. Rule 1.6 of the Disciplinary Scheme states that misconduct:

"means any conduct by a Member...in the course of carrying out professional duties or otherwise, constituting failure by that Member to comply with the standards of behaviour, integrity or professional judgment which other Members or the public might reasonably expect of a Member having regard to...any code, standards, advice, guidance, memorandum or statement on professional conduct, practice or duties which may be given and published by the Institute and Faculty of Actuaries and/or ...the [FRC]."

Members are required to comply with all applicable provisions of **APSs**. In the event of any inconsistency between this **APS** and the Actuaries' Code, the Code prevails.

Use of the words "must" and "should":

This **APS** uses the word "must" to mean a specific mandatory requirement.

In contrast, this **APS** uses the word "should" to indicate that, while the presumption is that **Members** comply with the provision in question, it is recognised that there will be some circumstances in which **Members** are able to justify non-compliance.

1. Introduction

- 1.1. In this **APS**, requirements of legislation or of **PRA** rules and expectations are specifically referred to as such.
- 1.2. The responsibilities of a **Member** to whom this **APS** applies are central to the financial soundness of the general insurance business of the **Firm** in respect of which the **Member** acts. **Members** who support **Chief Actuaries** should be aware of a **Chief Actuary's** responsibilities when assisting them.
- 1.3. **Members** must not accept an appointment as **Chief Actuary** if they do not have the necessary skill and experience to perform that function. Similar considerations apply within the **PRA** rules applying to the **Senior Insurance Managers Regime**.
- 1.4. Before taking up an appointment, **Members** must ensure that the relevant requirements of the Actuaries' Code have been met, including the need to consider a discussion with their immediate predecessors, if any.
- 1.5. **Members** must communicate clearly to their principal the perspective from which they are providing advice. Specifically, **Members** must clearly indicate whether advice is being provided from the perspective of compliance with statutory or regulatory obligations or as an employee, director or external adviser.

2. General Obligations

- 2.1. For a **Solvency II Firm** which is authorised in the UK, and for a Lloyd's syndicate, **Chief Actuaries** are subject to the **PRA's Senior Insurance Managers Regime** and must be familiar with the obligations this imposes on them.
- 2.2. Rule 3.1 of Technical Provisions in the **PRA Rulebook** requires the best estimate be calculated using "adequate applicable and relevant actuarial and statistical methods". Those performing the role of **Chief Actuary**, or **Members** advising such role holders, must act in line with this requirement.
- 2.3. If a **Member** adopts a practice which is significantly different from non-mandatory generally accepted actuarial practice, then the **Member** must disclose the reasons for the practice actually adopted. In this context "significant" refers to the effect of the practice on the results. A major difference in practice on an item which is trivial in its effect is not significant for this purpose.
- 2.4. **Chief Actuaries** who are **Members** are required by section 344 of the **Act** to communicate particular matters to the relevant body (the **PRA**), and other matters as required by the **Regulations**. The requirements under section 344 are to notify the relevant body (the **PRA**) without delay:
 - 2.4.1. when they resign
 - 2.4.2. when their appointment is terminated or not renewed; or
 - 2.4.3. of any matters connected with the cessation of their appointment which they think ought to be brought to its attention, or that there is no such matter.

- 2.5. **Chief Actuaries** who are **Members** are required by **PRA** and **FCA** conduct rules to disclose any information of which the **PRA** or **FCA** would reasonably expect notice.

3. The Chief Actuary

- 3.1. **Chief Actuaries** must hold either a **Chief Actuary (non-life with Lloyd's) Practising Certificate** or a **Chief Actuary (non-life without Lloyd's) Practising Certificate** if they are **Members**. In the case of **Chief Actuaries** who are **Members** performing this function within the Society of Lloyd's or a Lloyd's managing agent, they must hold the **Chief Actuary (non-life with Lloyd's) Practising Certificate**.
- 3.2. Where a **Firm** does not have the internal capability to provide the actuarial function and appoints an external actuary to do so who is a **Member**, then that actuary must hold a **Chief Actuary (non-Life with Lloyd's) Practising Certificate** or a **Chief Actuary (non-Life without Lloyd's) Practising Certificate** and the requirements of the rest of this **APS** apply to that actuary.
- 3.3. When accepting appointments as **Chief Actuaries**, **Members** must ensure that they have the right to present a report to the **Firm's Governing Body** in person, should they deem the report sufficiently important.
- 3.4. **Chief Actuaries** who are **Members** must
- 3.4.1. ensure that they have sufficient information and resources to enable the necessary investigations to be carried out, and the opinions to be provided both at the time of the appointment and thereafter; and
 - 3.4.2. use their judgment to decide which risks need to be monitored, and the frequency with which they should be monitored, and advise the **Firm** accordingly.

The information required, and the frequency of monitoring, will depend on the nature of the business carried out by the **Firm**.

- 3.5. If a **Firm** requires a **Member** to produce work which the **Member** believes conflicts with the requirements in the **Handbooks** and/or a **TAS**, the **Member** may do so provided that the work clearly and unambiguously states that the **Member** has done so under instructions and that the work does not conform with the requirements in the **Handbooks** and/or the **TAS(s)** as applicable. The adoption of such resulting technical provisions will create a situation where the **Member** producing the work will be required to report the matter to the relevant body (the **FCA** and/or the **PRA**, as appropriate) in accordance with the **Regulations** and with the conduct rules of the **PRA** and the **FCA**.

4. Possible conflicts of interest

- 4.1. **Chief Actuaries** who are **Members** are reminded of their obligations under Solvency II firms - Actuaries 6, Non-Solvency II firms - Actuarial Requirements 8, and Article 258(5) of the Solvency II Delegated Regulation and the Actuaries' Code in relation to objectivity and conflicts of interest.

5. Definitions

Term	Definition
Act	Financial Services and Markets Act 2000 as may be amended from time to time
Actuarial Function	The function F12 in the table of PRA controlled functions.
APS	Actuarial Professional Standard
Chief Actuary	The person appointed to have responsibility for the Actuarial Function in any of: <ol style="list-style-type: none">1. the Society of Lloyd's, or a Lloyd's managing agent;2. a non-Life UK Solvency II firm;3. third country branch undertakings which are required by the PRA to appoint a Chief Actuary;4. insurance special purpose vehicles which are required by the PRA to appoint a Chief Actuary
Chief Actuary (non-Life with Lloyd's) Practising Certificate	A certificate issued by the IFoA on application by a Member who wishes to hold a Chief Actuary (non-Life with Lloyds) position
Chief Actuary (non-Life without Lloyd's) Practising Certificate	A certificate issued by the IFoA on application by a Member who wishes to hold a Chief Actuary (non-Life) position
FCA	Financial Conduct Authority (or its successor)
FCA Handbook	The handbook issued by the FCA
Firm	An insurance company or Friendly Society in respect of which the actuary is appointed
Governing Body	The board of directors or committee of management of a Firm
Handbooks	The FCA Handbook and the PRA Rulebook
Member	A member of the Institute and Faculty of Actuaries

PRA	The Prudential Regulation Authority (or its successor)
PRA Rulebook	The Rulebook issued by the PRA
Regulations	The Financial Services and Markets Act 2000 (Communications by Actuaries) Regulations 2003, as may be amended from time to time
Senior Insurance Managers Regime	The regime brought into force by the PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime – (No2) Instrument 2015
Solvency II Firm	A firm satisfying Insurance General Application 2.1
TASs	Technical Actuarial Standards issued by the Financial Reporting Council