



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

<b>Author:</b>	GI Board
<b>Status:</b>	Approved under the Standards Approval Process
<b>Version:</b>	1.0, effective 1 January 2016
<b>To be reviewed:</b>	No later than 31 December 2016
<b>Purpose:</b>	To set out the requirements for actuaries carrying out the statutory role of <b>Chief Actuary</b> for UK authorised general insurance companies and Lloyd's syndicates and the relationship between them and the <b>Members</b> who support those role holders.
<b>Authority:</b>	The Institute and Faculty of Actuaries
<b>Target Audience:</b>	<b>Chief Actuaries</b> appointed by or in respect of UK authorised general insurance companies and Lloyd's syndicates and <b>Members</b> 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 **Members** to whom this **APS** applies are central to the financial soundness of the general insurance business of the **Firm** in respect of which the **Members** act. **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.
- 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 provided to comply 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. Where a **Member** adopts a practice which varies from non-mandatory generally accepted actuarial practice, they must consider whether to disclose the variation along with the reasons for the practice actually adopted. A **Member** must disclose the reasons for the practice actually adopted where the difference in practice produces significantly different results, whereas an item which is trivial in its effect may not merit disclosure.
- 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. **Members** who are **Chief Actuaries** must hold either a **Chief Actuary (non-life without Lloyd's) Practising Certificate** or, for a **Chief Actuary** within the Society of Lloyd's or a Lloyd's managing agent, a **Chief Actuary (non-life with Lloyd's) Practising Certificate**.
- 3.2. 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, although they may choose not to exercise this right on a case by case basis.
- 3.3. **Chief Actuaries** who are **Members** must ensure, both at the time of the appointment and thereafter, that they have sufficient resources and access to information to fulfil the requirements of their role, including conducting such investigations as may be necessary.

### 4. Possible conflicts of interest

- 4.1. **Chief Actuaries** who are **Members** are reminded of their obligations under **PRA Rulebook** provisions *Solvency II firms - Actuaries 6* and *Non-Solvency II firms - Actuarial Requirements 8*, 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 <b>Actuarial Function</b> in any of: <ol style="list-style-type: none"><li>1. the Society of Lloyd's, or a Lloyd's managing agent;</li><li>2. a non-Life UK Solvency II firm;</li><li>3. third country branch undertakings which are required by the PRA to appoint a Chief Actuary;</li><li>4. insurance special purpose vehicles which are required by the PRA to appoint a Chief Actuary</li></ol>
Chief Actuary (non-Life with Lloyd's) Practising Certificate	A certificate issued by the IFoA on application by a <b>Member</b> 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 <b>Member</b> who wishes to hold a Chief Actuary (non-Life) position
FCA	Financial Conduct Authority (or its successor)
FCA Handbook	The handbook issued by the <b>FCA</b>
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 <b>Firm</b>
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 <b>PRA</b>
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