APS I1: DUTIES AND RESPONSIBILITIES OF INSURANCE ACTUARIES

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Purpose: This **APS** sets out the requirements for **Members** carrying out the roles of:

- **Chief Actuary** for a **UK Solvency II Firm**;
- **Chief Actuary** for a Lloyd's syndicate;
- **Chief Actuary** for long-term business in a Non-Directive Life Insurance firm;
- **With-Profits Actuary**; and
- **Appropriate Actuary** for a **UK Non-Solvency II Firm**;

and the relationships between them and the **Members** who support those role holders.

1. General obligations

1.1. Before taking up an appointment as a **Chief Actuary**, **With-Profits Actuary** or **Appropriate Actuary**, **Members** must consider whether a discussion with their immediate predecessor, if any, is required to enable a sufficient understanding of the role and its responsibilities. Where such a discussion is appropriate and proportionate, **Members** must ensure that such a discussion takes place.

1.2. **Chief Actuaries**, **With-Profits Actuaries** and **Appropriate Actuaries** must communicate clearly the standpoint from which they are acting. Further, **Chief Actuaries**, **With-Profits Actuaries** and **Appropriate Actuaries** must indicate clearly whether they are acting to comply with statutory or regulatory obligations and/or as an employee, director, or external adviser.

1.3. **Chief Actuaries**, **With-Profits Actuaries** and **Appropriate Actuaries** should pay due regard to generally accepted actuarial practice. A **Member** holding one of the aforementioned roles, who adopts a practice which is significantly different from non-mandatory, generally accepted, actuarial practice, must disclose the reasons for adopting that practice. In this context, "significantly different", 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. Chief Actuaries

2.1. **Chief Actuaries** to **UK Solvency II Firms** must hold the Practising Certificate appropriate to the role they perform, namely: a **Chief Actuary (Life) Practising Certificate,** a **Chief Actuary (non-Life with Lloyd's) Practising Certificate**, or a **Chief Actuary (non-Life without Lloyd's) Practising Certificate**. **Chief Actuaries** performing this function within the Society of Lloyd's or a Lloyd's managing agent must hold a **Chief Actuary (non-Life with Lloyd's)** Practising Certificate.

2.2. **Chief Actuaries** to **Large Non-Directive Life Insurers** and **Small Non-Directive Life Insurers** must hold either a **Chief Actuary (Life) Practising Certificate**, or a **Chief Actuary (Life, Non-Directive) Practising Certificate**.

2.3. **Chief Actuaries** must ensure that they have the right to present a report to the **Governing Body** in person, whenever they deem the report sufficiently important.

2.4. **Chief Actuaries** must take all reasonable steps to:

2.4.1. ensure that they have access to all necessary information and resources to enable the necessary investigations to be carried out both at the time of the appointment and thereafter; and

2.4.2. ensure, where the **Member** is a **Chief Actuary** to a **UK Solvency II Firm**, that they have access to all necessary information and resources to fulfil the responsibilities of the actuarial function, and contribute to the effectiveness of the firm's risk-management system, as required under the PRA Rulebook.

2.5. **Members** appointed to a **Chief Actuary** role which does not cover all classes of the **Firm's** business, must take all reasonable steps to obtain written confirmation from the **Governing Body** as to the classes of business to which they are appointed.

2.6. For **With-Profits Business**, **Chief Actuaries** must ensure that they are aware of:

2.6.1. any advice given by the **With-Profits Actuary** on any aspects of discretion; and

2.6.2. relevant decisions taken by the **Firm** insofar as they affect liabilities to policyholders.

2.7. **Chief Actuaries** must take all reasonable steps to ensure that the **Firm's** management is aware at all times of their interpretation of:

2.7.1. the **Firm's** obligations to treat its customers fairly; and

2.7.2. where relevant, policyholders' reasonable expectations which need to be taken into account in assessing the calculation of technical provisions and capital requirements, other than where the matter is covered by the responsibilities of the **With-Profits Actuary**.

2.8. **Chief Actuaries** must take all reasonable steps to ensure that the **Firm** appreciates the implications for fairness and, where relevant, the reasonable expectations of its policyholders which need to be taken into account in assessing the liabilities, and capital requirements, when a significant change is planned to the **Firm's** business plans, practices or other circumstances, other than where the matter is covered by the responsibilities of the **With-Profits Actuary**.

2.9. **Chief Actuaries** must also satisfy themselves that systems of control are in place which are intended to ensure that the **Firm's** policyholders are not misled as to their expectations. A **Chief Actuary** who believes that the systems of control may not be adequate, must, unless sufficient steps are otherwise taken to meet their concerns, draw this to the **Firm's** attention and advise the **Governing Body** accordingly.

3. With-Profits Actuaries

3.1 **With-Profits Actuaries** must hold a **With-Profits Actuary Practising Certificate**.

3.2 Where a **Firm** has more than one **With-Profits Fund**, a **Member** should not accept an appointment as a **With-Profits Actuary** for some but not all of the **With-Profits Funds** unless:

3.2.1 the **Principles and Practices of Financial Management** of the funds adequately describe the way in which the exercise of discretion impacts on the interaction between the different funds;

3.2.2 the extent to which such interactions resulting from the exercise of discretion impact on **With-Profits Policyholders** is unlikely to be significant; and

3.2.3 the terms of reference of the appointment allow the **Member** to discuss freely with the other **With-Profits Actuaries** appointed by the **Firm** the operation of all of its **With-Profits Funds**, and to have access to their written advice to the **Firm**.

3.3 A **Member** must not accept an appointment as a **With-Profits Actuary** in respect of only some of the classes of business in any one **With-Profits Fund**.

3.4 **With-Profits Actuaries** must ensure, as far as reasonably possible, that they have access to all necessary information and resources.

3.5 **With-Profits Actuaries** must advise the management of the **Firm** and, if necessary, the **Governing Body**, of any circumstances in which they believe that a communication should be issued by the **Firm** to the **Firm's With-Profits Policyholders,** or a particular class of such policyholders.

3.6 **With-Profits Actuaries** must advise the management of the **Firm** and, if necessary, the **Governing Body**, on the future exercise of discretion affecting its **With-Profits Business** whenever:

3.6.1 the **Firm** or **Governing Body** requests it;

3.6.2 they consider that, in any respect, a proposed exercise of discretion might be inconsistent with the **Principles and Practices of Financial Management**;

3.6.3 they consider that the **Principles and Practices of Financial Management** have become, or might become, inappropriate;

3.6.4 the steps the **Firm** proposes to take in order to demonstrate its ability to meet its regulatory capital requirements raises particular issues relating to the exercise of discretion affecting those classes of the **With-Profits Business** of the **Firm** in respect of which they have been appointed; or

3.6.5 they consider that the interests of the **With-Profit Policyholders** require it.

3.7 Where, in a **With-Profits Actuary's** opinion, there is uncertainty regarding the extent to which a **Governing Body** can exercise discretion when allocating surplus, they must state in their report or advice:

3.7.1 the nature of the uncertainty;

3.7.2 the assumptions they have made with regard to the uncertainty;

3.7.3 the consequences were the uncertainty to be resolved differently;

3.7.4 where appropriate, that the **Firm**, if it has not already done so, seeks legal advice with regards to the uncertainty;

3.7.5 the extent to which they have relied upon any legal advice concerning the uncertainty that the **Firm** has received; and

3.7.6 whether in their opinion there is any conflict between any legal advice concerning that uncertainty that the **Firm** has received, and their interpretation of the fair treatment of the **Firm's With-Profits Policyholders** having particular regard to the **Principles and Practices of Financial Management.**

4. Appropriate Actuaries

4.1 **Appropriate Actuaries** must hold either a **Chief Actuary (Life) Practicing Certificate**, or a **Chief Actuary (Life, Non-Directive) Practising Certificate.**

4.2 If an **Appropriate Actuary** advises the **Firm** on the distribution of surplus, they must ensure that they have the appropriate experience to do so.

4.3 **Appropriate Actuaries** must ensure that they have:

4.3.1 the right to present a report to the **Governing Body** in person, should they deem the report sufficiently important; and

4.3.2 all necessary information and resources to enable the necessary investigations to be carried out. This applies both at the time of the appointment and thereafter.

5. Relationship between the Chief Actuary and the With-Profits Actuary

5.1 If the roles of **Chief Actuary** and **With-Profits Actuary** are combined, a **Member** in one of these roles must ensure that the **Governing Body** is aware of the particular role in which the **Member** is acting when presenting advice to it.

5.2 Where the roles of the **Chief Actuary** and the **With-Profits Actuary** are undertaken by different actuaries, a **Member** in either of these roles must ensure that:

5.2.1 they are aware of the work carried out by, and opinions of, the person in the other role; and

5.2.2 their terms of reference allow regular, direct contact with the person in the other role.

5.3 A **Chief Actuary** must take account of a **Firm's** interpretation of its obligations to policyholders in respect of discretionary benefits on **With-Profits Business**. However, as this interpretation is only guided by the advice of the **With-Profits Actuary,** the **Chief Actuary** must not assume that the advice of the **With-Profits Actuary** will automatically be accepted.

5.4 **Chief Actuaries** must satisfy themselves directly that the valuation recommendations made in respect of discretionary payments are appropriate in light of any obligations implied by the **Principles and Practices of Financial Management**.

5.5 **With-Profits-Actuaries** must be fully aware of the implications for capital requirements of the **Firm** of any recommendations on the exercise of discretion in respect of **With-Profits Policies** which they make or on which they express an opinion. **With-Profits Actuaries** should seek the relevant **Chief Actuary's** opinion in this regard to ensure that any actuarial models upon which they intend to base advice use assumptions consistent with those used by the **Firm** in its modelling (or that the implications of any differences are explained to the **Governing Body**).

5.6 Where the calculation of asset shares is not the direct responsibility of the **With-Profits Actuary**, the **With-Profits Actuary** must ensure that:

5.6.1 they are familiar with the process; and

5.6.2 that the process is in line with the **Principles and Practices of Financial Management.**

5.7 The **Chief Actuary** and the **With-Profits Actuary** must request access to any items prepared by the other as necessary to meet the requirements of this **APS**.

6. Interpretation and application

6.1 A failure to comply with this **APS** may result in a finding of Misconduct under the terms of the **IFoA's Disciplinary Scheme**.

6.2 This **APS** uses the word "must" to mean a specific mandatory requirement. It uses the word "should" to indicate that, while the presumption is that **Members** will comply with the provision in question, there may be some circumstances in which **Members** are able to justify non-compliance.

6.3 In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the **Actuaries' Code** prevails.

7. Definitions

Term	Definition
Actuaries' Code	The ethical code for **Members** issued by the Institute and Faculty of Actuaries
Appropriate Actuary	A Fellow of the Institute and Faculty of Actuaries appointed by a **Friendly Society** in accordance with the **PRA Rulebook** Part Non-Solvency II firms - Actuarial Requirements Chapter 7 Appropriate Actuary
APS	Actuarial Profession Standard, issued by the Institute and Faculty of Actuaries
Chief Actuary	The person appointed to have responsibility for the **Chief Actuary Function**, including any person to whom the **Chief Actuary Function** is outsourced, in accordance with the **PRA Rulebook**: Insurance - Senior Management Functions Rule 1.1
Chief Actuary Function	In relation to: • a **UK Solvency II Firm**, the function as defined in the **PRA Rulebook**: Insurance - Senior Management Functions Rule 7.1; and • a **Large Non-Directive Life Insurer**, the function as defined in the **PRA Rulebook**: Large Non-Solvency II Firms - Senior Management Functions Rule 7.1; and • a **Small Non-Directive Life Insurer**, the function as defined in the **PRA Rulebook**: Non-Solvency II Firms - Senior Management Functions Rule 4.1
Chief Actuary (Life) Practising Certificate	A certificate issued by the Institute and Faculty of Actuaries on application by a **Member** who holds, or wishes to hold, a **Chief Actuary** position for: • a **UK Solvency II Firm** or non-Solvency II Life Insurance firm carrying out long-term business, and a **Firm** conducting limited or specialised non-life insurance business, subject to conditions and qualifications as agreed by the Institute and Faculty of Actuaries, and • a **UK Solvency II Firm** carrying out general insurance classes 1 and 2, as defined in The Financial Services and Markets Act 2000 (Regulated Activities) Order 2001

Chief Actuary (Life, Non-Directive) Practising Certificate	A certificate issued by the Institute and Faculty of Actuaries on application by a **Member** who holds, or wishes to hold, a **Chief Actuary** position for a non-Solvency II UK Life Insurance firm.
Chief Actuary (non-Life with Lloyd's) Practising Certificate	A certificate issued by the Institute and Faculty of Actuaries on application by a **Member** who holds, or wishes to hold, a **Chief Actuary** position for a general insurance **UK Solvency II Firm,** a **UK Solvency II Firm** within the Society of Lloyd's or a Lloyd's managing agent, and **Firms** conducting limited or specialised life insurance business, subject to conditions and qualifications as agreed by the Institute and Faculty of Actuaries.
Chief Actuary (non-Life without Lloyd's) Practising Certificate	A certificate issued by the Institute and Faculty of Actuaries on application by a **Member** who holds, or wishes to hold, a **Chief Actuary** position for a general insurance **UK Solvency II Firm**, and **Firms** conducting limited or specialised life insurance business, subject to conditions and qualifications as agreed by the Institute and Faculty of Actuaries.
Firm	An insurance company or **Friendly Society** in respect of which an actuary is appointed
Friendly Society	An incorporated friendly society or a registered friendly society
Governing Body	The Board of Directors or Committee of Management of a **Firm**
IFoA's Disciplinary Scheme	The Disciplinary Scheme made under Bye-law 59 and forming part of the Rules of the Institute and Faculty of Actuaries
Large Non-Directive Life Insurer	Has the meaning as in the Glossary to the **PRA Rulebook**
Member	A member of the Institute and Faculty of Actuaries
Principles and Practices of Financial Management	The Principles and Practices of Financial Management, containing with-profits principles and with-profits practices, which a **Firm** carrying on **With-Profits Business** must establish, maintain and record under the Financial Conduct Authority: Conduct of Business Sourcebook (COBS 20.3) (Principles and Practices of Financial Management)
PRA	The Prudential Regulation Authority (or its successor)
PRA Rulebook	The rules issued by the **PRA** under powers conferred by the Financial Services and Markets Act 2000 (FSMA)

Small Non-Directive Life Insurer	Has the meaning as in the Glossary of the **PRA Rulebook**
UK Non-Solvency II Firm	A Non-Directive Life Insurer
UK Solvency II Firm	A **Firm** as described in the **PRA Rulebook**: Solvency II Firms Non-Solvency II Firms - Insurance General Application Instrument 2015 Rule 2.1
With-Profits Actuary	A **Member** appointed in accordance with either: • the **PRA Rulebook**: Solvency II Firms: Actuaries Instrument 2015 Rule 2.2 or Rule 2.4 to perform the role in Rule 5; or • (2) the **PRA Rulebook**: Non-Solvency II Firms: Non-Solvency II Firms - Actuarial Requirements Rule 2.1(2) or Rule 2.3 to perform the role in Rule 6
With-Profits Actuary Practising Certificate	A certificate issued by the Institute and Faculty of Actuaries on application by a **Member** to those who hold, or wishes to hold, a **With-Profits Actuar**y position
With-Profits Business	Any business of an insurer that may affect the amount or value of the assets comprising a **With-Profits Fund**
With-Profits Fund	Has the meaning in the Glossary to the **PRA Rulebook**
With-Profits Policyholder	A policyholder under a contract falling within a class of long-term insurance business which is eligible to participate in any of the established surplus.