

Institute and Faculty of Actuaries

Noting report

Subject	Part VII Transfers	
Regulatory Board meeting	Tuesday 26 th April 2022	
Previous Board Steer/Approval	November 2021	Board discussed issues raised by PRA at JFAR meeting in October 2021 and agreed proposal to come back to later meeting for fuller discussion
International Issues Considered?	UK specific issue	
Author	IFoA Executive	
Reviewer	IFoA Executive	
Purpose	Noting	

A: EXECUTIVE SUMMARY

1. Board members will recall previous discussions about concerns raised by the Prudential Regulation Authority (PRA), through the Joint Forum on Actuarial Regulation (JFAR), regarding the role of actuaries as Independent Experts in Part VII transfers.
2. It had been agreed that a further conversation would take place with the PRA to explore those concerns and that the outcome would be reported back to the Board.
3. This paper sets out a summary of the meeting of the IFoA, PRA, Financial Conduct Authority (FCA) and Financial Reporting Council (FRC) that discussed Part VII transfers, describes some of the issues discussed and outlines the actions and next steps arising from the meeting.

B: BACKGROUND – ROLE OF ACTUARIES IN PART VII TRANSFERS

4. As members of the Board may be aware, Part VII transfers are a court-sanctioned legal transfer of some or all of the policies of one company to another, by a person authorised to do so by the PRA under the Financial Services and Markets Act (2000).

5. Actuaries are usually involved in Part VII transfers in the role as Independent Experts, reserving or other analysis and in designing schemes. It is in relation to actuaries in the role of Independent Expert that issues were raised by the PRA.
6. Actuaries' role as an Independent Expert is important as any application to Court to sanction a Part VII transfer must be accompanied by a Scheme Report from an Independent Expert describing the transfer and its effect on policyholders and others. The report is provided to the Court.
7. The PRA has a role in approving the form of the Expert's reports and reviews them for this purpose. They also have a role in approving nominated experts (which includes assessing their independence as well as skills and experience).
8. The PRA and FCA each have the power under the Financial Services and Markets Act (2000) to object to transfers. The PRA has also produced detailed [guidance](#) on transfers.
9. The IFOA has no statutory regulatory duty in this area, but can assist by raising awareness with any issues involving the education of actuaries in this area.
10. Currently we believe there are around 40 or so individual actuaries that are involved in this sort of work, with a number of actuarial firms specialising in this area of work.

C SUMMARY OF DISCUSSIONS

11. The IFoA met virtually on 3 March 2022 with representatives from the PRA to discuss the issues that had been raised through the JFAR in relation to actuaries as Independent Experts in Part VII transfers. The meeting was arranged to take place after the conclusion of the PRA's consultation on Insurance Business Transfers], which covered the topic of Part VII transfers. A policy statement on Insurance Business was published in January 2022 and is available [here](#)
12. It was also attended by representatives from the FCA, who also have a statutory role in relation to conduct aspects of such transfers, and the FRC's Actuarial Policy Team.
13. The discussion focused on some of the issues observed by the PRA relating to the work of actuaries in the role of Independent Experts. This included:
 - Observations about the process and that it meant actuaries appointed to the role of Independent Expert were likely to be closer and more exposed to the perspective and knowledge of the insurer than of the policyholders and about the importance of those actuaries being alert to that.
 - Some discussion about the benefits of obtaining active, thorough peer review from an early stage in the process and throughout.
 - Observations about varying degrees of experience of actuaries involved in being independent experts in these transfers and possible scope for supporting those who are less experienced.
14. During the meeting it was not suggest that there were any concerns that actuaries were operating outside of their professional responsibilities or that there were any individual instances that ought to be investigated under the disciplinary procedures.

D: NEXT STEPS

15. The proposed next steps, which have been put to the PRA for consideration include a roundtable(s) with our Members who are or have recently been, appointed as experts in Part VII transfers to obtain their views.
16. The issues raised were about ensuring actuaries are alert to the need to balance perspectives/interests in reports and a possible need for more support for those new to the role. There was nothing here to suggest that the rules are ineffective or that further direct regulation is required. Indeed, the statutory regulation applied to these transfers by the PRA and FCA is already very thorough, with detailed rules and guidance in place and a system of assessing nominees for the role as well as reviews of the reports. The PRA and FCA also have powers to intervene if they have concerns.
17. For those reasons, it is not proposed at this stage that any more formal actions, such as setting additional standards or producing formal guidance are required, nor would the addition of a practicing certificate appear to be appropriate here..
18. Instead the focus should be on education and support for those in role, working with the statutory regulators. As a first step, a roundtable is proposed.
19. We will discuss the issues in more detail and decide whether there is anything else they think we could be doing to support members involved in this work including, for example, whether there should be some sort of member interest group established.
20. This discussion would be a Chatham House style discussion, which would enable open and confidential conversation. The focus will be on supporting actuaries to surface any challenges faced with this type of work.
21. The PRA had indicated that they sometimes to host events for those involved in this work and, the IFoA indicated they would be happy to help support and facilitate this too.
22. The Executive will continue to liaise with the PRA and will host the meeting of experienced actuaries in May to understand the issues and decide whether we need to regulate this area further.
23. Board members will also be aware that the work of actuaries as experts in Part VII transfers was identified as a possible topic for thematic review under the IFoA's Actuarial Monitoring Scheme (AMS) as part of the 'actuaries as experts' theme. The AMS Team have been involved in the discussions with the PRA and will reflect upon whether, in light of the extent of regulatory activities already going on in this area, this is still a topic that would be appropriate to look at through the Thematic Review Programme (TRP).

E: CONCLUSIONS

24. The Board are asked to note this paper.