



Society of Actuaries in Ireland

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# Practising Certificate regime for Solvency II

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13.10.2015

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# Agenda

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1. Why Practising Certificates?
2. The new “CP92” PC regime
3. Experience requirements



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# Why Practising Certificates for SII?

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- Historically PC's have been required for
  - Appointed Actuaries (Life)
  - Signing Actuaries / Peer Review Actuaries (Non-Life and Life-Re)
  - Pension Scheme Actuaries
  - PRSA Actuaries
- All role-holders have, in the past, been required to be members of the Society of Actuaries
  - Although this changed recently for Signing Actuaries



## Why Practising Certificates for SII?

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- Under CP92, the HoAF must be a “member of a recognised actuarial association”.
- HoAF will be a CBI pre-approval controlled function (PCF) from 1/1/2016.
- Reviewing Actuary will be appointed by the board, but not CBI approved.
- Society needed to consider its position regarding Practising Certificates.



# Why Practising Certificates for SII?

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PCs are part of the **overall SAI regulatory framework**

- Code of Professional Conduct;
- Actuarial Standards of Practice (ASPs);
- A Continuing Professional Development (CPD) Scheme;
- Practising Certificates; and
- Disciplinary scheme



# Why Practising Certificates for SII?

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- A level of **competence/experience** above Fellowship (FSAI) is needed as a minimum for certain statutory roles.
- SAI has a **public interest** responsibility to ensure that regulatory roles are performed only by suitably experienced actuaries.



## Why Practising Certificates for SII?

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- We believe that PCs will provide an **objective quality mark** for Boards appointing HoAFs/Reviewing Actuaries.
- Unlike the PCF regime, PCs are **renewed annually** and supported by ongoing **CPD** requirements.
- Our UK sister organisation, the Institute and Faculty of Actuaries has implemented PCs for “**Chief Actuaries**” under Solvency II.





# Why Practising Certificates for SII?

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## Guidance/Standards for HoAFs / Reviewing Actuaries:

- CBI is developing guidance for HoAFs covering the various CP92 responsibilities
- The Society also considering how to contribute to and/or complement CBI guidance
- Members in HoAF/RA roles will also be subject to other Actuarial Standards



# Agenda

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1. Why Practising Certificates?
2. The new “CP92” regime
3. Experience requirements – Technical and Senior



# The new “CP92” PC regime

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## Head of Actuarial Function / Reviewing Actuary

- Single Individual as HoAF
- Actuarial Opinion to CBI on Technical Provisions
- Actuarial Report to Board on Technical Provisions
- Opinion to Board on ORSA (covering at a minimum scenarios / projections)
- Peer review by Reviewing Actuary
- HoAF a PCF; Reviewing Actuary not a PCF



# The new “CP92” PC regime

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- HoAF is not just a technical role, and requires **critical assessment, seniority and influencing skills.**
- **Step change from Solvency I to Solvency II** is greater for Signing Actuaries than Appointed Actuaries
  - Range of technical competencies
  - Seniority of role within companies
- On the other hand, CP92 introduces **new elements for AAs**
  - Peer review, reserving policy and other governance issues



# The new “CP92” PC regime

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- Boards will need to consider
  - the **scope**;
  - the **seniority**; and
  - the **ongoing nature**of the role when appointing a HoAF / Reviewing Actuary
- New PC’s will **not be a simple “grandfathering”** of current AAs and SAs



## The new “CP92” PC regime

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- For year-end 2015, the Society operates **two PC schemes**
  - Last annual renewal of Appointed Actuary and Signing Actuary certificates
  - First year for new HoAF/Reviewing Actuary certificates
- Same certificate for HoAF and Reviewing Actuary.
- The application / renewal processes will make best efforts to process HoAF/RA certificates in a timely manner.



## The new “CP92” PC regime

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- For the first year the PC regime is **voluntary**. The intention is to implement a **mandatory** scheme.
- SAI’s Articles of Association require a **member vote** to approve a mandatory scheme (where regulation does not require the role to be fulfilled by an actuary.)
- **Timeline** for clarifying any legal issues, and an EGM to accommodate a vote, did not allow for a mandatory scheme to be in place for 2015 PCF applications.



# Agenda

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1. Why Practising Certificates?
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# Experience Requirements

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## Summary

- A Fellow of the Society
- In general, and especially for Signing Actuaries, broader technical experience is now required;
- Need to demonstrate experience of operating at a senior level
- Full details available at <https://web.actuaries.ie/standards/certificates>



# Experience Requirements

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## General Requirements

Member Status	Normally: <ul style="list-style-type: none"><li>• Fellow for 5+ years; or</li><li>• Member for 10+ years (3+ as Fellow)*</li></ul>
References	2 Referees: <ul style="list-style-type: none"><li>• at least one a Fellow of the Society</li><li>• at least one external</li><li>• cover 3 dimensions</li></ul>
Other	<ul style="list-style-type: none"><li>• CPD / Professionalism training up to date</li><li>• “appropriate person”</li></ul>

\* In exceptional circumstances



# Experience Requirements

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## Technical Experience (4+ of last 6 years)

Technical Provisions

- Methods, assumptions, data;
- Solvency II

Underwriting

- Determining or assessing pricing bases / underwriting policy

Reinsurance

- Assessing impact on TPs and Risk Profile
- Analysing effectiveness of RI

Risk Management

- Analysing risk factors
- Assessing/projecting capital needs

Range

- Range of risks appropriate to extent of certificate applied for



# Experience Requirements

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## Senior Experience

Scheme will check to see that the applicant has experience operating at a senior level and what kind of experience they have, e.g.

- Level of responsibility?
- Wider role(s) within the organisation?
- Delivery of advice to senior management / board?
- Defending challenges to advice?
- Reviewing and challenging work, proposals or decisions made by others at senior level?



## Closing Summary

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- PC framework is available for members who carry out HoAF / Reviewing Actuary roles;
- Forms part of the overall member-regulation framework of the SAI;
- Fulfils a public interest responsibility to ensure that regulatory roles are performed only by suitably experienced actuaries; and
- While a PC does not confirm suitability for a particular role, it provides an objective quality mark for boards considering appointments to HoAF / Reviewing Actuary roles.



Banc Ceannais na hÉireann  
Central Bank of Ireland

Eurosystem



# Presentation to SAI INED Forum

Mark Burke, Central Bank of Ireland

13 October 2015



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## Rationale for the new requirements

- Actuarial Function is a key part of risk management system from perspective of both Board and Supervisor
  - Emphasising the importance of overall risk management system and not a single individual
  - Maintaining key components of the current supervisory regime, where they have been shown to add value
  - The need to increase transparency on items where varying interpretations are possible and clarify expectations in that regard
  - The importance of having one individual responsible for the Actuarial Function, who is answerable to the Board and has sufficient experience commensurate with the requirements of the role
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## Recap – Requirements for Actuarial Function under SII

- Technical Provisions:
    - Assess sufficiency & quality of data
    - Ensure appropriateness of methodologies, models & assumptions
    - Compare best estimate with experience
    - Inform Board of reliability & adequacy of the calculation of Technical Provisions
  - Opinion on underwriting policy
  - Opinion on adequacy of reinsurance
  - Contribute to effective implementation of the risk management system (specifically ORSA, SCR & MCR)
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## Key Elements of the new regime

- Head of Actuarial Function is a PCF role
  - Experience level and seniority required is akin to the Appointed Actuary role more so than the Signing Actuary role
  - Creating a natural counterpoint to the CRO
  - Certification of reserves required to the Central Bank
  - Expectations clarified on nature and scope of the various opinions to be provided
  - Requirement for Peer Review and Reserving Policy
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## Peer Review

- New for Life Companies
  - Peer review cycle varies by impact category
  - Reviewing Actuary must be independent with the same skills and experience as required for HoAF
  - Provide an independent view of the reserves, the main uncertainties and the approach taken to reach the Actuarial Opinion
  - For material non-life Lines of Business, a recalculation of reserves is expected
  - Supervision team may commission a skilled person report where they feel the reviewing actuary is not sufficiently independent
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## Further Details – Technical Provisions & Data

- Requirements give a lot of detail on what should be included in the Actuarial Report
    - In summary, enough detail for the Board to understand the justification for the Actuarial Opinion and the key risks and sensitivities of the Technical Provisions
  - EIOPA guidelines give extensive detail on what is required and Central Bank does not feel the need to expand on this significantly
  - Significant emphasis placed on comparison of actual versus expected, so as to determine a credibility level for expert judgement
  - Need to consider the uncertainty around the best estimate with calculation of the technical provisions
  - Make appropriate allowance for concerns around completeness or relevance of the data ( ‘events not in the data’ for example)
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## Further Details – Underwriting Opinion

- Limited information in EIOPA Guidelines
  - Central Bank Guidance
    - Opinion to cover the whole underwriting and pricing policy and process
    - Consider interrelationships with reserving and reinsurance
    - Review main risk factors and sensitivity to key assumptions
    - Overview of quality of data, appropriateness of methods and models used, and adequacy of controls
  - Overarching objective is an opinion on whether the firm is exercising underwriting discipline
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## Further Details – Reinsurance Opinion

- Limited information in EIOPA Guidelines
  - Central Bank Guidance
    - Consider interrelationships with reserving and pricing
    - Should cover other risk transfer arrangements, not just traditional reinsurance
    - Adequacy of reinsurance across a range of scenarios not just the standard formula ones
    - A view on whether economic risk transfer is commensurate with capital relief
    - Guidance on the nature and type of stress testing to be considered
    - Consistency with stated Risk Appetite and availability of capital
    - Consider impact of credit and concentration risk
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## Further details – Contribution to effective risk management

- Not much in EIOPA guidelines for Standard Formula companies
  - Guidance from Central Bank:
  - Requirements specifically relate to comments on ORSA on:
    - The range of risks considered and adequacy of stresses over the planning period
    - Appropriateness & realism of financial projections underpinning Own Solvency Needs assessment
    - Consideration of risks which emerge gradually over time
    - Consistency with Technical Provisions
    - ‘Peer Review’ assessment of appropriateness of the assumptions underlying the SCR
    - Effectiveness of any risk mitigation and management actions
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## Key Messages

- Significantly enhanced responsibilities relative to current Signing Actuary role; Notifications to CBI to include evidence of substantive contributions to broader risk management issues and evidence of effective challenge at senior level
  - Greater transparency required on impact of areas where significant interpretations exist
  - Key role for INEDs to champion and help embed new initiatives such as opinion on underwriting discipline where this activity is not well established within the firm to date
  - CBI guidance to be updated annually in line developments
  - A word of thanks to Society working groups who greatly assisted in compiling guidance on various aspects of paper
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# Questions