



Corporate Governance Guidelines for Reinsurance Business

Submission by the Society of Actuaries in Ireland

June 2006

Introduction

In its consultation paper CP18: Corporate Governance Guidelines for Reinsurance Business, the Financial Regulator has raised the issue of the qualification requirements for actuaries who sign Statements of Actuarial Opinion (“SAOs”) for reinsurance undertakings. The Society welcomes the opportunity to comment on this issue, and, in particular, to outline the arrangements that are in place for actuaries outside Ireland to become members of the Society.

We would be happy to discuss these issues further with the Financial Regulator, if required.

Professional requirements for actuaries providing SAOs

Question 34, from the consultation paper, and its answer, are reproduced below.

34. *Would an SAO written by a European or US Actuary be acceptable?*

Current Financial Regulator thinking suggests a similar regime to current Non-Life certifications whereby the Society of Actuaries in Ireland could provide certification for Reinsurance Actuaries who have qualified outside Ireland.

The Society supports the approach proposed by the Financial Regulator. We believe that it is necessary for any actuary providing an SAO to be a member of the professional body in the jurisdiction in which the entity to which the opinion relates is regulated. This approach means that the professional guidance (i.e. actuarial standards) provided by the Society will be applicable to all actuaries who sign SAOs, not just those who reside, or who qualified, in Ireland. It means, furthermore, that a full governance framework is in place for all such actuaries, including the Society’s Professional Conduct Standards and disciplinary processes.

This view is also consistent with the position of the Groupe Consultatif Actuariel Européen, which represents actuarial associations throughout Europe. The Groupe Consultatif has agreed that each member association shall recommend to its members that a member of an association established in one qualifying country who is employed or provides actuarial services on a regular basis in another qualifying country, should apply for membership of the association in that country.

To be reliable, a system of actuarial certification must be supported by strong mandatory actuarial standards. If actuaries providing SAOs were not required to become members of the Society, there would appear to be two main alternative approaches to ensure that all actuaries are obliged to comply with appropriate mandatory actuarial standards. The first is for the Financial Regulator to take responsibility for promulgating the appropriate mandatory actuarial standards. The second is for the Financial Regulator to determine which actuarial associations have appropriate mandatory actuarial standards, and therefore which actuaries are permitted to sign SAOs. In this context, however, it should be noted that many European actuarial associations do not have actuarial standards of the type that exist in Ireland, because the nature of insurance supervision in those countries does not give rise to a need for them. It is our view that the Financial Regulator’s proposal is the best way of ensuring that SAOs are supported by appropriate mandatory actuarial standards.

Arrangements for membership of the Society

The Society has extensive arrangements in place to provide Fellow membership to actuaries who reside, or who qualified, outside Ireland:

- All actuaries who are Fellow members, by examination, of the Faculty of Actuaries and Institute of Actuaries in the UK may join the Society as Fellow members.
- Actuaries who are Fellow members of the Canadian Institute of Actuaries, the Institute of Actuaries in Australia or the Society of Actuaries in the US can apply for Fellow membership of the Society of Actuaries in Ireland under the mutual recognition agreements that the Society has with these associations. Fellow members of the Casualty Actuarial Society are entitled to apply on an equivalent basis. Details of these mutual recognition agreements are available on the Society's website at: http://www.actuaries.ie/About_the_Society/Membership/Categories/Categories_Listing.htm. The principal requirement is that the actuary has at least three years' recent appropriate practical experience, including at least one year's experience in the Republic of Ireland i.e. experience relating to the provision of actuarial services to entities regulated in the Republic of Ireland (note that the actuary does not have to reside in Ireland in order to gain the necessary experience).
- European actuaries can apply for Fellow membership of the Society under the Groupe Consultatif mutual recognition agreement (also available on the Society website). An applicant under the Groupe agreement, may be required to either complete an "adaptation period" or pass an aptitude test (at the choice of the applicant). This requirement applies if the actuarial education system in the applicant's home country differs substantially from the UK system (which is the basis for qualifying as an actuary in Ireland) or where his or her work will involve professional activities regulated in Ireland which are not regulated, or which he or she has not pursued, in his or her home country. It is expected that most applicants will choose an adaptation period, which will normally be a period of one year, and does not require residence in Ireland. If an aptitude test is chosen, the applicant is required to sit the "Specialist Applications" examination of the UK actuarial profession relating to the applicant's practice area.

Practising certificates

As required by the Financial Regulator, the Society currently issues practising certificates to actuaries who wish to sign statements of actuarial opinion in respect of non-life business.

Details of the practising certificates scheme for non-life business are available on the Society's website at:

http://www.actuaries.ie/Professional%20Standards/practising%20certificates/Rules_Reg/060608%20practising%20certificate%20regulations%20_rules%20_guidance_Signing%20Actuary%20Certs.pdf

Non-life practising certificates may be “unrestricted”, or may be specific to:

- (a) company type (direct insurer or reinsurer)
- (b) either Irish or offshore risks
- (c) a certain class or classes of business (in accordance with the classification in Annex I of the European Communities (Non-Life Insurance) Regulations, 1994 (S.I. No. 359 of 1994)).

Alternatively, a certificate may be specific to a particular entity.

For an unrestricted certificate, an applicant is required to have experience estimating non-life insurance reserves for a wide range of risks, including both Irish and offshore business, personal and commercial lines, and direct and reinsurance business, whereas for a certificate that is specific to particular types of risk (i.e. direct or reinsurance business, Irish or offshore risks, specific classes of business), an applicant would be required to demonstrate experience of reserving for those types of risk.

The existing structures for “signing actuary” practising certificates therefore cater for non-life reinsurance business. We currently envisage that a separate type of practising certificate will be required for actuaries who provide SAOs relating to life reinsurance business.

There are currently 24 actuaries based outside Ireland who hold “signing actuary” practising certificates.