THE SOCIETY OF ACTUARIES IN IRELAND

Comments on the Central Bank of Ireland's "Draft Guidance on Fitness and Probity Standards"

September 2011

1 Introduction

1.1 The Society of Actuaries in Ireland provided input to the Central Bank of Ireland consultation on “the Fit and Proper Regime in Part 3 of the Central Bank Reform Act of 2010” in May 2011. The submission is available on the Society’s website at https://bit.ly/SAI_CP51.

1.2 We now welcome the publication of the Central Bank’s new fitness and probity regime and we offer comments on the “Draft Guidance on Fitness and Probity Standards”.

1.3 Please direct any queries on the comments that follow to Ms. Yvonne Lynch, Director of Professional Affairs, at the contact details at the end of this submission.

2 Comments

2.1 Chief Actuary

We agree that person(s) who discharge key actuarial responsibilities should be included within the Pre-Approval Controlled Function (PCF) framework.

However, in relation to the PCF "Chief Actuary", this is not a defined role across insurance undertakings generally and the interpretation of what the role means is likely to vary considerably. The naming of the role of Chief Actuary in the Regulations[1] will help to establish and bring greater uniformity to the role in due course. In the meantime, we would welcome clarification on the following questions, in the interest of consistent application of the Regulations:

(a) Is it intended that "Chief Actuary" be interpreted as including the statutory roles of Appointed Actuary for life insurance undertakings and Signing Actuary for non-life insurance and reinsurance undertakings? If not, does the Central Bank consider that these statutory roles are Controlled Functions (CFs)? Both of these roles are currently important elements of the overall governance framework of insurance undertakings *(see Appendix)*.

(b) Some firms have an Appointed / Signing Actuary and a separate "Chief Actuary" who discharges other key actuarial responsibilities and to whom the Appointed / Signing Actuary might or might not report. In other firms, various actuarial responsibilities are discharged by several different people.

How is the PCF / CF regime expected to operate in such instances? For example, is it expected that some companies will treat several people as being "Chief Actuaries" for the purposes of the Regulations?

(c) Does the Central Bank consider that a person who carries responsibility for product pricing within an insurance undertaking is covered by the PCF "Chief Actuary"?

(d) For PRSA providers, is the statutory role of PRSA Actuary *(see Appendix)* considered by the Central Bank to be a Controlled Function?

2.2 Practising Certificates

Persons who act in any of the statutory roles of Appointed Actuary, Signing Actuary and PRSA Actuary are obliged to hold a practising certificate issued by the Society of Actuaries in Ireland. Pre-requisites for a practising certificate include minimum levels of education and practical experience and a clean record in respect of compliance with ethical standards. While practising certificates are not a substitute for the normal processes by which firms assess a person's competence in the context of the particular types of business written by the firm, we believe that they can play a useful part in the fit and proper regime. Guidance in this regard may be helpful to firms.

[1] Central Bank Reform Act 2010 (Sections 20 and 22) Regulations 2011

APPENDIX

Appointed Actuary, Signing Actuary and PRSA Actuary are statutory roles that are part of the governance framework of life assurance companies, non-life / reinsurance undertakings and PRSA (Personal Retirement Savings Account) providers respectively. Persons holding these roles are responsible for carrying out duties set out in legislation and in regulatory requirements. They must hold a practising certificate issued by the Society of Actuaries in Ireland, pre-requisites for which include minimum levels of education and practical experience and a clean record in respect of compliance with ethical standards.

A brief description of key responsibilities is set out below. More detailed information may be provided on request.

In addition to their statutory responsibilities, many Appointed Actuaries, Signing Actuaries and PRSA Actuaries also hold broader management roles within their organisations.

The **Appointed Actuary**'s responsibilities include:

(a) carrying out an annual investigation of the financial condition of the company's life assurance business, which includes valuing the long-term liabilities and determining any excess of assets over liabilities;

(b) assessing the sufficiency of premiums for new business, in the context of the company's obligations to establish adequate technical reserves and meet its commitments to policyholders;

(c) preparing a detailed Financial Condition Report, for submission to the Central Bank of Ireland, every three years;

(d) advising the Board on reinsurance and investment policy; and

(e) advising the company regarding information to be provided to customers in marketing materials and product illustrations

The Appointed Actuary is obliged to take all reasonable steps to ensure that he or she is, at all times, satisfied that the company's life assurance business is being operated on sound financial lines.

The **Signing Actuary** of a non-life insurance company or a reinsurance company must provide a formal Opinion on the amount of the technical reserves held by the Company in respect of its future liabilities. This Opinion is included in the company's Annual Return to the Central Bank. The Opinion must be supported by a comprehensive Actuarial Report to the company's Board.

The **PRSA Actuary**'s responsibilities include:

(a) making an annual report to the Pensions Board on the extent of the PRSA provider's compliance with legal obligations relating to the conduct of PRSA business and the amount of charges that may be deducted under PRSAs;

(b) advising the PRSA provider regarding information to be provided to customers in marketing materials and product illustrations

(c) advising the PRSA provider on the appropriateness of default investment strategies operated under PRSA products.

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