THE STATUTORY DUTIES OF THE ACTUARY

THE following is a list of the main functions entrusted to the actuarial profession by public Acts of Parliament of Great Britain. In addition, a large number of private Acts dealing with the superannuation schemes of local authorities and other bodies contain provisions requiring periodical valuations to be made by a qualified actuary. Further, where an industry has been nationalized, or staff in some employment carrying pension rights transferred to employment under a state scheme, it has usually been provided by regulations that any necessary actuarial work such as the apportionment of superannuation funds shall be performed by an actuary, being a Fellow of the Institute or of the Faculty.

In the list given below no reference is made to the various Acts which impose duties on the Government Actuary or other actuaries in the Public Service.

1. INSURANCE COMPANIES ACT, 1958

SUBSECTION (1) of SECTION 5 requires that every insurance company transacting life assurance, industrial assurance or bond investment business must, at least once in every five years, cause an investigation into its financial condition, including a valuation of its liabilities, to be made by an actuary. An abstract of the actuary's report must be made in a prescribed form. These provisions must also be complied with whenever an investigation is made for publication or with a view to the distribution of profits, save that, in the case of a mutual company whose profits are distributed wholly or mainly by annual abatements of premium, the abstract need only be made once every five years.

Rule 3 of S.I. 1958 No. 1765 prescribes that the abstract of the actuary's report should be in the form set out in the Fourth Schedule appended to the Instrument. This Schedule specifies the details of the statements of life assurance business and of bond investment business to be made and signed by the actuary; where sinking fund or capital redemption insurance business is also carried on a separate statement of such business is required.

SUBSECTION (2) of SECTION 5 requires that where an insurance company causes an abstract to be made of the actuary's report the company shall prepare in a prescribed form a statement of the insurance business at the date to which the accounts are made up for the purposes of the investigation, provided that if the investigation is made annually the statement need be made only once every five years.

Rule 4 of S.I. 1958 No. 1765 prescribes that the company's statement should be in the form set out in the Fifth Schedule thereto. As with the Fourth Schedule, statements are required for life assurance and bond investment business and separate particulars must be supplied by companies transacting sinking fund or capital redemption business; the statements must be signed by the actuary.

SUBSECTION (2) (*b*) of SECTION 11 requires a report to be made by an independent actuary when an amalgamation of companies, or a transfer of business from one company to another, is proposed which involves life, bond investment, sinking fund or capital redemption business.

SUBSECTION (3) of SECTION 13 provides for regulations to be made requiring a certificate with respect to assets and liabilities to be included with every balance sheet prepared by an insurance company transacting general business.

Rule 18 of S.I. 1950 No. 533, the relevant Instrument, requires a certificate to be signed by the actuary that in his belief the liabilities in respect of long-term business do not exceed the amounts of the respective funds and all other liabilities in respect of long-term business as shown in the balance sheet.

SECTION 20 provides for regulations to be made with respect to the payment, withdrawal and transfer of deposits.

Rule 10 of S.I. 1950 No. 533 requires a certificate to be signed by the actuary in support of an application by a company transacting general and long-term business to withdraw its deposits. It also requires the actuary to join in signing a certificate in the case of an application by a company carrying on long-term but not general business.

SUBSECTION (1) of SECTION 33 provides that, in the Act, the expression 'actuary' means an actuary possessing such qualifications as may be prescribed.

Rule 15 of S.I. 1950 No. 533 defines an actuary as

(1) a Fellow of the Institute of Actuaries or of the Faculty of Actuaries, *or*

(2) where application is made and in the opinion of the Board of Trade special circumstances exist, an Associate of the Institute of Actuaries or of the Faculty of Actuaries, *or*

(3) such other person having actuarial knowledge as the Board of Trade, on the application of the company, may approve.

2. INDUSTRIAL ASSURANCE ACT, 1923

SECTION 12 makes certain modifications in the legislation embodied in the Assurance Companies Act, 1909, as re-enacted in the Insurance

Companies Act, 1958, so far as industrial assurance business is concerned; it provides *inter alia* that the independent actuary referred to in SECTION 11 of that Act shall be appointed by the President of the Institute of Actuaries or by the President of the Faculty of Actuaries in Scotland, on the application of the Industrial Assurance Commissioner, and shall make his report on the amalgamation or transfer to the Commissioner.

SECTION 18 provides that the valuation of the liabilities of a collecting society or industrial assurance company shall be made by an actuary as defined by the Assurance Companies Act, 1909, as re-enacted in the Insurance Companies Act, 1958. In this connexion, rule 13 of S.I. 1950 No. 1544 provides that any person signing as actuary the valuation returns of a company or society shall be

(1) a Fellow of the Institute of Actuaries or of the Faculty of Actuaries, *or*
(2) where application is made by the company or society and where, in the opinion of the Commissioner, special circumstances exist, an Associate of the Institute of Actuaries or of the Faculty of Actuaries, *or*
(3) such other person having actuarial knowledge as the Commissioner may, on the application of the company or society, approve, provided that such person has, on at least two previous occasions, made a statutory valuation of such company or society.

3. SUPERANNUATION AND OTHER TRUST FUNDS (VALIDATION) ACT, 1927

SECTION 5 provides that the financial condition of every fund registered under the Act must be investigated and reported on at least once every five years by an actuary.

SECTION 8 defines an actuary as a person having such qualifications as may be prescribed by the Chief Registrar of Friendly Societies. In this connexion S. R. & O. No. 175 of 1928 provides that the actuary shall be

(1) a Fellow of the Institute of Actuaries or of the Faculty of Actuaries, *or*
(2) where, in any particular case, application is made by the Fund and approved by the Chief Registrar, an Associate of the Institute of Actuaries.

4. LOCAL GOVERNMENT SUPERANNUATION ACTS, 1937 AND 1953

SECTION 22 of the 1937 Act (see *J.I.A.* **69**, 93) requires that every fund shall be valued by an actuary at intervals of not more than five years. SECTION 40 defines an actuary as a Fellow of the Institute of Actuaries or a Fellow of the Faculty of Actuaries.

The 1953 Act altered the form of the benefits but did not materially affect the statutory duties of the actuary.

The Local Government Superannuation (Actuarial Valuations) Regulations, 1954 (S.I. 1954 No. 1224) as amended by the National Insurance (Modification of Local Government Superannuation Schemes) No. 2 Regulations, 1961 (S.I. 1961 No. 405), specify the information to be given, and prescribe the forms to be used, in the report on a valuation.

These requirements do not apply to schemes which have been set up by certain local authorities under special Acts.

5. FRIENDLY SOCIETIES ACT, 1896

SECTION 16 of this Act provides that, before registration under the Act, societies granting annuities must have the tables of contributions certified either by the Actuary to the National Debt Commissioners or by some actuary appointed by the Treasury who has exercised the profession of actuary for five years.

A list of actuaries who are authorized to certify under this Section (all of whom are Fellows of the Institute or of the Faculty of Actuaries) is given on pages 36 and 37.

SECTION 28 of the Act provides for the valuation of Friendly Societies at quinquennial or shorter intervals. The Society has the option of appointing a valuer or of sending to the Registrar the data necessary for the valuation, leaving the appointment of a valuer to him. In practice the latter course is rarely, if ever, followed.

SECTION 30 gives the Treasury power to appoint public valuers for the purpose of making valuations under the Act, and to determine the rates of remuneration to be paid by societies for their services. The employment of public valuers is not compulsory on societies, but the large majority of all valuations are, in fact, performed by public valuers.

A list of public valuers (all of whom are Fellows of the Institute or of the Faculty of Actuaries) is given on page 34 and a memorandum issued by the Registry of Friendly Societies setting out the conditions under which public valuers hold their appointments is reproduced on pages 34 to 36.