



Institute
and Faculty
of Actuaries

CP25/14: The PRA Rulebook

Consultation response to the Prudential Regulation
Authority

23 January 2014

About the Institute and Faculty of Actuaries

The Institute and Faculty of Actuaries is the chartered professional body for actuaries in the United Kingdom. A rigorous examination system is supported by a programme of continuous professional development and a professional code of conduct supports high standards, reflecting the significant role of the Profession in society.

Actuaries' training is founded on mathematical and statistical techniques used in insurance, pension fund management and investment and then builds the management skills associated with the application of these techniques. The training includes the derivation and application of 'mortality tables' used to assess probabilities of death or survival. It also includes the financial mathematics of interest and risk associated with different investment vehicles – from simple deposits through to complex stock market derivatives.

Actuaries provide commercial, financial and prudential advice on the management of a business' assets and liabilities, especially where long term management and planning are critical to the success of any business venture. A majority of actuaries work for insurance companies or pension funds – either as their direct employees or in firms which undertake work on a consultancy basis – but they also advise individuals and offer comment on social and public interest issues. Members of the profession have a statutory role in the supervision of pension funds and life insurance companies as well as a statutory role to provide actuarial opinions for managing agents at Lloyd's.



Tunde Koleoso
Prudential Policy Directorate
Bank of England
Threadneedle Street
London
EC2R 8AH

23 January 2015

Dear Tunde

IFoA response to CP25/14: The PRA Rulebook

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the PRA's consultation 'The PRA Rulebook'. In producing this response, we have consulted with members of the IFoA's Life, General Insurance and Health and Care Boards. The IFoA has limited its response to Appendix 2e that considers insurance transfers.
2. In section 2.1, the IFoA would welcome clarification on the type of information that could be shared, based on the category of information seeker (e.g. general information already available in the public domain or a scheme report for the policyholders). The provision of confidential information about transferor and/or the transferee may not be appropriate.
3. The above may cover both transferor and transferee. The scheme report should comment on the liabilities stated and, hence, it may be included in the template required for the scheme report.
4. SUP 18.2.1 of the FSA Handbook does not appear to have been incorporated into the draft Rulebook. The IFoA considers that inclusion of the following statement would be useful in the Rulebook; "that the transfers impact the contracts between insurers and policyholders and that this may happen without the consent of each policyholder".
5. The requirement that the PRA may prepare a report (2.8) includes a possible inconsistency in the treatment of transfers. It may be appropriate that the PRA should prepare a report, other than in exceptional circumstances.
6. It may be useful to clarify how any consultation between the PRA and FCA would work in practice (2.11). Insurance business transfers may be time bound and will frequently involve a number of complex issues. The issues could result in different opinions between the PRA and the FCA. Given the potential time limits, there may be merit in establishing a joint PRA/FCA committee for each proposal. The committee could then invite the independent expert for discussions, as appropriate, at the joint committee meetings.
7. The IFoA recognises that each transfer will be different and the documentary requirements will also subsequently be different (2.13). While there is no minimum standard of documentation required, there may be merit in establishing guidelines on how the PRA would

evaluate the transfer, and identify the extent to which additional documentation could be required.

8. Additionally in 2.18, the IFoA would anticipate that the actuary should have some experience in, and an understanding of, the issues raised by transfers of long term insurance business. For any transfers that would occur prior to 1 January 2016, it is appropriate that the actuary has sufficient appreciation of the impact of the business transfer under the existing ,and the post 1 January 2016, regulatory environments.
9. The IFoA would welcome clarification as to whether the independent expert for general insurance business would be familiar with the responsibilities of the Chief Actuary under Solvency II; and whether such a requirement would necessitate the appointment of an actuary as the independent expert.
10. The IFoA would welcome transparency in the selection process. Any notification to the PRA could include details of the selection process, the applicants for the role and reasons for the final appointment. The PRA may also seek clarification about who would make payment to the expert.
11. In 2.33(4), the consideration of insolvency could apply to the transferor, or the transferee. The IFoA would welcome confirmation that both would be included in any report.
12. The requirement for supplementary reports in 2.39 did not appear to be included in the FSA guidebook. However, the IFoA considers this to be a reasonable requirement for updating the Court for a final hearing.
13. The IFoA believes it would be of benefit if the format of PRA reports could be standardised (2.64). In particular, we would welcome details in the reports of the PRA's views on risks to policyholders arising from the proposed business transfer - and how those risks should be mitigated.
14. The IFoA would welcome confirmation that the requirement for consents in respect of confidential information (2.74) applies to all reports, including any PRA report.
15. The IFoA would appreciate confirmation that the disclosure of the report to other parties (4.6) would not include the disclosure of confidential information.

Should you wish to discuss any of the points raised in further detail please contact Philip Doggart, Technical Policy Manager in the first instance (philip.doggart@actuaries.org.uk / 07771813429).

Yours sincerely



James Crispin
Chair, Life Board
Institute and Faculty of Actuaries