



Institute  
and Faculty  
of Actuaries

# **CP7/15: Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms**

IFoA response to the Prudential Regulation Authority

27 April 2015

## **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.



CP7/15 Response  
Prudential Regulation Authority  
20 Moorgate  
London  
EC2R 6DA

27 April 2015

Dear Sirs,

**IFoA response to CP7/15: Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms**

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Prudential Regulation Authority's (PRA) latest consultation paper on these important topics. The IFoA's Life and Regulation Boards have led the drafting of this response.

We have answered the PRA specific questions in the response below where we have a concern or observation we wish to raise. Our views on the Financial Conduct Authority (FCA) specific questions are set out on in a separate response to the FCA.

**General Comments**

1. We welcome the PRA's overall approach to this matter and, in particular, its close working with the FCA to ensure regulatory consistency.
2. PRA Consultation Paper CP7/15 provides generally useful clarification on the appointment and approvals of Non- Executive Directors (NEDs) in banking and Solvency II firms. The range of appended Supervisory Statements also provides clarity on the PRA's expectations of firms in the corresponding contexts.
3. The IFoA believes that the PRA/ FCA proposal to distinguish between 'standard' NEDs and the Chairman, Senior Insurance Director and (specified) Committee Chairs is appropriate and proportionate, and should achieve a balance between effective regulation and sustaining a sufficient pool of 'standard' NED talent. The more onerous requirements of the Senior Insurance Managers Regime (SIMR) could potentially be discouraging to some 'standard' NEDs.
4. The proposed range of Committees for which NED Chair pre-approval would be required does **not** include the Chair of the With-Profit Committee. We note that some With-Profit Committees currently have the Chair as a NED; however, this is not the case for all firms. We also note the With Profits Actuary Controlled Function will require pre-approval under PRA/ FCA proposals for the revised Approved Persons Regime.

**Question 3: Do you agree with the PRA's proposed scope for the SIMR as far as NEDs are concerned? In particular, please consider the:**

- **Decision to align the scope of the SIMR and the SMR**
  - **Inclusion of NEDs within the Group Entity Senior Insurance Manager function**
  - **Proposed proportionate application of the regime.**
5. Paragraph 4.9 of Appendix 4 (Supervisory Statement on the scope of the SIMR) explains that the PRA expects firms to allocate the following responsibilities to the Chairman:
- a. training/ development of (the relevant) Controlled Functions / other individuals; and
  - b. development of the firm's culture/ standards.

We believe that these responsibilities should be shared between the Chairman and the Executive, and in particular, with the Chief Executive Officer.

6. We welcome the formal recognition of the role played by the Group Entity Senior Insurance Manager function. It would be helpful to clarify whether it is possible to have more than one person designated as Group Senior Insurance Manager, in respect of their involvement as a Board member of an insurance subsidiary.
7. Paragraph 4.10 of Appendix 4 (Draft Supervisory Statement, including allocation of responsibilities to individuals) allows the Chairman to be responsible for oversight in audit, risk and remuneration in the absence of committees in these areas. We presume that the PRA would regard the lack of committees in these key areas to be the exception rather than the rule.

**Question 9: Do you agree with the clarifications and expectations set out in Part 2 of the Supervisory Statement in Appendix 2 regarding the PRA's proposed application of the presumption of responsibility?**

8. We found the clarification provided by this statement helpful.

Should you wish to discuss any of the points raised in further detail please contact Steven Graham, Technical Policy Manager ([steven.graham@actuaries.org.uk](mailto:steven.graham@actuaries.org.uk) / 0207 632 2146) in the first instance.

Yours faithfully,



David Hare,  
**Immediate Past President, Institute and Faculty of Actuaries**