Institute and Faculty of Actuaries

CP15/15: Changes to the Approved Persons Regime for Insurers not subject to Solvency II

IFoA response to the Financial Conduct Authority

15 May 2015

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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.

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CP15/15 Response
Anne Macadam
Strategy and Competition Division
Financial Conduct Authority
25 The North Colonnade
Canary Wharf
London
E14 5HS

15 May 2015

Dear Ms Macadam,

IFoA response to CP15/15: Changes to the Approved Persons Regime for insurers not subject to Solvency II

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Financial Conduct Authority's (FCA) consultation paper on the Approved Persons Regime for non-Solvency II firms. The IFoA's Life Board and Life Standards and Consultations sub-Committee have led the drafting of this response.

General Comments

1. The IFoA welcomes the FCA's close working with the PRA on this matter to ensure regulatory consistency.

2. We believe that the FCA's proposals may not reflect the governance structure that is likely to apply to typical Non Directive Firms (NDFs), and so may be disproportionate to the scale and complexity of such firms.

3. We note that the NDF limits within the Solvency II Directive are expressed in euros, and the Directive limit of €25m relates to technical provisions rather than assets; it is possible that an NDF firm could have assets of £25m or more if it had a substantial surplus. However, we do not believe that any firm outside the scope of the Solvency II Directive is likely to pose a threat to the FCA's objectives, and therefore suggest that the proposals should apply to all NDFs without exception.

Q1: Do you agree with the proposed scope of our SIF regime for NDFs?

4. We believe it is unlikely in practice that firms of this size will have the range of committees suggested in paragraph 2.12 of the consultation paper. These matters are likely to be handled by the Board as a whole, and so the proposed regime may not apply. However, where firms do have a wider range of committees, the introduction of the proposed regime may discourage individuals from making themselves available.

5. We also note the reference in paragraph 2.12 to extending the regime to the Chair of the With-Profits Committee and would point out that the majority of firms in this category which transact with-profits business are likely to be Friendly Societies to which COBS 20.5 does not

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apply. Any non-Directive firms to which COBS 20.5 does apply are far more likely to have a with-profits advisory arrangement.

6. We believe that the approach to the Senior Insurance Function should be aligned with the PRA's equivalent proposals, and should be applied only to the Chief Executive and the Chairman of the Board.

Q2: Do you agree with our proposals for allocating responsibility for apportionment of responsibilities?

7. We agree that the FCA should follow the approach of the PRA on this.

Q3: Do you agree with our proposals for requiring firms to submit and maintain information on the scope of SIF holders' responsibilities?

8. We support the proposal that NDF firms should maintain a "scope of responsibilities" document proportionate to their size and complexity.

Q4: Do you agree that these are the right Conduct Rules for the FCA to apply to Approved Persons in NDFs?

9. We believe that the proposed Conduct Rules are appropriate.

Q5: Does the proposed guidance attached at Appendix 1 give helpful clarity on the behaviours the FCA expects under each of the Conduct Rules?

10. We assume that 'guidance' refers to the description in Appendix 1 of proposed changes to the Conduct Rules.

11. In terms of the new Rules we draw attention again to the use of a definition of an NDF under £25m. As noted above, we suggest that all NDF firms should be treated in the same manner.

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 / 0207 632 2146) in the first instance.

Yours sincerely,

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