Institute
and Faculty
of Actuaries

CP12/15: Senior Insurance Managers Regime: a streamlined approach for non-Solvency II firms

IFoA response to the Prudential Regulation Authority

15 May 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.

Institute and Faculty of Actuaries

CP12/15 Response
Jack Middleton
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

15 May 2015

Dear Jack,

IFoA response to CP12/15: Senior Insurance Managers Regime: a streamlined approach for non-Solvency II firms

The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Prudential Regulation Authority's (PRA) consultation paper on the Senior Insurance Managers 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.

1. The IFoA generally welcomes the proposals in this paper as being proportionate and sensible. We also welcome the PRA's close working with the FCA on this matter to ensure regulatory consistency.

2. We think the references to assets of £25m and premiums of £5m in paragraph 1.3 of the consultation paper are potentially confusing. The Directive limits are expressed in Euros and, more importantly, the Directive limit of €25m relates to technical provisions not assets. While the statement that firms with assets of less than £25m and premiums of less than £5m are outside the scope of the Directive may be generally true, it is not necessarily always the case. We suggest the PRA refer to the figures within the Directive.

3. We agree with the proposal for a Small Insurer Senior Management Function (SIMF 25) and consider that this is proportionate and sensible.

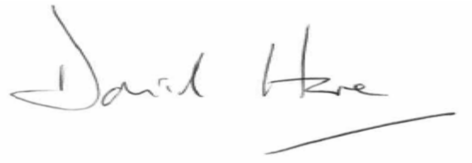
4. The IFoA also recognises the need to assess fitness and propriety for those carrying out this function, and we also support the need to allocate particular management responsibilities (as set out in paragraph 2.12) to one or more individuals. We support the proposals to apply conduct standards to this role.

5. We do not agree with the proposal that any firm with assets of more than £25m should be subject to the same regime as a Solvency II firm. As we mentioned in paragraph 2 above, the Directive limits are based on technical provisions rather than assets and it seems strange that if a firm happens to have more than £25m of assets, but is outside the Solvency II regime because it has less than €25m of technical provisions, that it should be penalised for the amount of its surplus. We therefore think that the proposals should apply to all Non Directive Firms without exception.

6. We do agree with the proposals to ‘grandfather’ relevant individuals in current Controlled Functions across to the proposed new Senior Insurance Manager functions without reassessment of these individuals being required – this would seem to be a sensible and proportionate approach.

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