



Institute
and Faculty
of Actuaries

Review of Life Actuary Practising Certificates

Consultation Paper

by Regulation Board

23 May 2014

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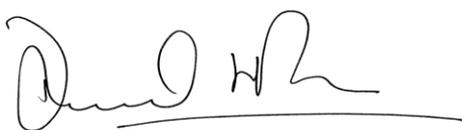
Introduction

As chair of Regulation Board of the Institute and Faculty of Actuaries, I am writing to consult with you regarding proposed changes to the structure of Life Actuary Practising Certificates which, if approved, will come into effect from 1 September 2014. It is hoped that the product of this consultation will be a Life Actuary Practising Certificate regime which is more closely aligned with the roles of our members, reflecting the changes in the industry in which they operate.

There is currently a separate consultation underway concerning options for regulation of roles that our members may perform under the Solvency II Directive. Several of the proposals under this consultation involve the imposition of practising certificates for members who perform certain key functions. The Institute and Faculty of Actuaries intend to update its regime in time for the inception of Solvency II on 1 January 2016.

It is important therefore to distinguish this consultation from that relating to Solvency II. It is anticipated that the recommendations of the Life Actuary Practising Certificates Consultation will take effect within a more truncated timeframe and in any event, despite some possible overlap in relation to Practising Certificates for Actuarial Function Holders, the proposed changes to the Life Actuary Practising Certificates regime may endure regardless of any eventually implemented under Solvency II. It is also important to note that given the early stages of the Solvency II consultation it remains as yet unclear what effect Solvency II will have on the wider practising certificate regime and in relation to With-Profits Actuary and Reviewing Actuary role holders in particular.

In that context this is very much a discrete consultation which aims to arrive at recommendations which will be adopted later in the year. I would like to invite you therefore to participate in identifying the appropriate regime in governing Life Actuary Practising Certificates through this consultation.

A handwritten signature in black ink, appearing to read 'Desmond Hudson', with a horizontal line underneath.

Desmond Hudson
Chairman of the Regulation Board
May 2014

1. Background

The Practising Certificates Committee and Life Board have considered the structure and technical experience criteria for Life Actuary Practising Certificates, in particular for actuaries carrying out the role of the With-Profits Actuary (WPA), and Actuarial Function Holders (AFHs) for with-profit insurers and Reviewing Actuaries (RAs) for with-profit business.

For many years, two types of Practising Certificates (PCs) have applied:

- Life Actuary (not including with-profits) PC
- Life Actuary (including with-profits) PC

The with-profits PC is currently structured as an expanded form of the non-profits PC, with technical experience criteria equal to those for a non-profits PC supplemented by criteria specific to additional with-profits experience.

A Life Actuary (not including with-profits) PC is needed to carry out the Actuarial Function Holder or to be the Reviewing Actuary for the audit of a non with-profits office. A Life Actuary (including with-profits) PC is needed to carry out a WPA role or to be the AFH to a with-profits office or to be the Reviewing Actuary in relation to with-profits business.

Additionally, as recorded in APS L1: Duties and responsibilities of life assurance actuaries, an Appropriate Actuary to a friendly society requires a Life Actuary (including with-profits) PC where that society conducts with-profits business. No PC is required if only non with-profits business is conducted.

2. Proposed New Approach

As practice has evolved and developed over the years, changes to the traditional roles such as AFHs to non-profits offices and those to with-profits offices have resulted in role holders now using essentially the same valuation and capital assessment tools - historic approaches that resulted in the current structure for Life Actuary PCs have become less relevant.

The role of the WPA focusses on with-profits activities that are distinct from AFH activities, e.g. bonus recommendations. Due to specialisation of the WPA role, it is becoming more difficult for the WPA to meet the current technical criteria which relate to the duties of both a WPA and those of an AFH/RA. Similarly, it is becoming more difficult for the AFH/RA to a with-profits office/business to meet the technical criteria that relate to the duties of a WPA unless the AFH/RA also acts as a WPA to life office/business.

It is proposed that there will remain two types of Life PC but with a different structure:

- The “not including with-profits” certificate would be recast as an AFH/RA certificate, focussing on valuation/reserving activities be they carried out in a non-profits office or a with-profits office; and
- The “including with-profits” certificate would be recast as a WPA certificate, focussing on the accountabilities of the WPA.

Relating the type of PC to a particular reserved role is also consistent with the nature of PCs for other practice areas, i.e. the Scheme Actuary certificate for pensions and the Lloyds' Syndicate Opinion Actuary certificate for general insurance.

Appendix 1 analyses how the proposed new Life PCs would impact PC holders in different roles. The conclusion is that the proposed changes do not have a material adverse effect on any Life reserved role holders or Life PC holders.

3. Duties of the Reserved Role Holder

The changes proposed in this consultation are understood not to impact the role or duties of a reserved role-holder; rather they tailor more closely with them as practised today. However, consistent with the intent to seek wide comment on these proposals, the Financial Reporting Council, Prudential Regulation Authority and Financial Conduct Authority are being consulted to understand if the changes present concerns for those bodies or would trigger changes to regulations.

4. Technical Experience Criteria

Appendix 2 contains the proposed Life technical experience criteria, marked up against the current criteria for ease of reference. Appendix 3 is a clean version of Appendix 2 with all the proposed changes accepted. Appendix 4 contains example experience pages from the Life PC application form for the proposed new Life PC structure.

5. Timetable and Transition

These changes ensure that the Practising Certificates Scheme remains appropriate for life actuaries practising in reserved roles. Depending on the results of this consultation, it is proposed that the changes would be implemented as part of the general review of the PC Scheme effective 1 September 2014 for the 2014/15 year.

Existing PC holders, and initial applicants for a Life PC, will need to specify which PC they wish to apply for at the date of renewal/initial application. If a member wishes to apply for both types of PC then, providing they make both applications at the same time, it is proposed that there will be only one application fee. If a member with one PC subsequently decides they would like to apply for the other type of PC (e.g. an AFH/RA PC holder wants to also apply for a WPA PC), it is proposed that the application fee would be separately charged.

6. Responses to this Consultation

The aim of this consultation is to gather views on the proposed changes to Life Actuary PCs as recommended by the Practising Certificates Committee and Life Board. In particular, whether the proposed changes are a proportionate response to the issues identified.

Once the responses have been considered, a decision will be taken by the Regulation Board on the extent to which the proposals ought to be implemented. It is currently proposed that, if approved, the changes would take effect on 1 September 2014.

We would be pleased to receive any general comments on the proposals in addition to the completed questionnaires.

A questionnaire is included at Appendix 5 to this paper. You can complete the questionnaire either by accessing the [online version](#) of the questionnaire or alternatively downloading the ['Word'](#) version. The 'Word' version questionnaire and any comments you have on this consultation paper should be sent by email to LifePractCerts@actuaries.org.uk or by post to:

The Secretary to the Practising Certificates Committee
The Institute and Faculty of Actuaries
Maclaurin House
18 Dublin Street
EDINBURGH
EH1 3PP

It would assist us if, when you reply, you would provide contact details and confirm the nature of your interest in Life Actuary PCs under the Practising Certificate Scheme.

Please also indicate whether any of the information you supply in your response ought to be treated confidentially. Unless you so indicate, we may make responses to this paper available on our website at www.actuaries.org.uk.

Given the limited number of members likely to be affected by the proposals, it is not intended to organise consultation meetings. However, if you would be interested in having a discussion by way of conference call with representatives of the Working Party in relation to any of the proposals then this can be arranged on request. If you would be interested in participating in such a call then please get in touch with [Stephanie Snowden](#).

The deadline for submitting a response to this consultation is 17.00 on **22 July 2014**.

Comparison of current and proposed Life PCs by Role

	Reserved Role	Current Life PC types	Proposed Life PC types
1	AFH & RA to non-with profits office	Require a Life Actuary (not including with-profits) PC.	Require an AFH/RA PC. No material change in technical criteria.
2	AFH & RA to with-profits office/business	<ul style="list-style-type: none"> Require a Life Actuary (including with-profits) PC The AFH needs to have recent and relevant experience of with-profits to get a Life Actuary (including with-profits) PC. An AFH to an office with small with-profits business must still meet the recent and relevant experience criteria as a PC is about the capability of the individual (demonstrated through their experience) not who they currently work for. [PC Scheme, A3] A Life Actuary (including with-profits) PC holder who is an AFH/RA could in principle act as a WPA, or vice versa, without the need for further certification. The Actuaries Code would apply regarding advice given. 	<ul style="list-style-type: none"> Require an AFH/RA PC. Although an AFH or RA to a with-profits office should have some knowledge of with-profits work to carry out that role, an employer needs to consider such when looking to hire/promote an actuary into the AFH role to a with-profits office as for other specialist aspects of the role. The technical criteria to hold an AFH/RA PC as proposed would, under the proposed new structure for Life PCs, be the same for both non-profits and with-profits offices as a PC is about the capability of the person (demonstrated through their experience) not who they currently work for. [PC Scheme, A3] An AFH or RA who wanted to act as a WPA would need to demonstrate suitable with profit experience to qualify for a WPA certificate.

	Reserved Role	Current Life PC types	Proposed Life PC types
3	WPAs	<ul style="list-style-type: none"> Require a Life Actuary (including with-profits) PC. Technical criteria cover both AFH and WPA experience. Increasingly, WPAs are finding it difficult to meet the AFH related criteria unless they carry out both AFH/RA and WPA roles. 	<ul style="list-style-type: none"> Require a WPA PC. Technical criteria focussed on WPA duties. These include knowledge of the realistic balance sheet and WP risk management experience.
4	Appropriate Actuaries	<p>Under APS L1</p> <ul style="list-style-type: none"> Not a with-profits office : no PC required With-profits office : require a Life Actuary (including with-profits) PC 	<p>The same mapping applies</p> <ul style="list-style-type: none"> Not a with-profits office : no PC required With-profits office : require a WPA PC
5	Both AFH/RA and WPA roles	Require a Life Actuary (including with-profits PC).	Require both AFH/RA and WPA certificates. If applicants apply for both PCs at the same time, propose that they will be charged one application fee only.
6	Current PC holder but with no current reserved role	The proposed changes would not require a PC holder to build more experience to obtain a new Life PC. A present holder of a Life Actuary (including with profits) PC would likely qualify for either (and may be both) an AFH/RA and a WPA certificate. A present holder of a Life Actuary (not including with profits) PC is likely to qualify for an AFH/RA certificate but would need to demonstrate suitable with profit experience to qualify for a WPA certificate.	

Appendix 2

Technical Experience Criteria and Guidance on their application [\[Extract\]](#)

To be awarded a Practising Certificate, the Practising Certificates Committee (PCC) must be satisfied that the applicant is fit and proper to hold a PC and that they meet the generic and technical criteria set down by the profession

The technical experience criteria by practice area are set out in the links below. Attached to the criteria is guidance from the PCC as to

- What experience it is looking for applicants to demonstrate through the application form, including an example experience page of the application form for each practice area; and
- How the PCC will then apply that experience against the criteria

[Life](#)

[Lloyd's](#)

[Pensions](#)

The technical experience criteria update and replace the previous criteria (which continue to apply for applications to and including 24 January 2012) which were largely set when practising certificates were first introduced for each practice area. They have been updated by the Practice Executive Committees in consultation with the PCC to reflect current expectations of a statutory role holder doing reserved work recognising changing regulation and practice since the PC Scheme was introduced. The PECs and the PCC do not consider that the updated technical experience criteria represent significant change to the way the PCC have been operating the PC Scheme in practice.

Technical Experience Criteria ~~from 25.1.12~~ from 1 September 2014 : Life

The technical experience requirements to obtain a Life Actuary Practising ~~Certificates~~ Certificate are set out below :

1. For an AFH / RA Life Certificate : All applicants are required to demonstrate that they have gained recent experience in a number of the technical areas below:

- ~~o analysing the risks to which a life insurer is exposed~~
- o advising on the measurement, management and mitigation of ~~such risks~~ issues and risks to which a life insurer is exposed
- o advising on the appropriate pricing basis for long-term insurance contracts, ~~including options~~
- o ~~determining~~ advising on the requirements for capital ~~and a fair return on the capital employed~~
- o undertaking the Individual Capital Assessment
- o assessing the embedded value of the business
- o ~~determining the~~ advising on appropriate bases and methodologies for valuing the assets and liabilities
- o ~~determining~~ advising on appropriate reinsurance arrangements
- o analysing the ~~asset liability~~ matching requirements of assets and liabilities and advising on investment strategy

where recent means during a period of at least 3 out of the last 4 years and at least 3 months in the last 12 months

2. ~~Additionally, for~~ For a WPA Life Actuary Practising Certificate (including with-profits): All applicants are required to demonstrate recent experience in a number of the technical areas below: relating to with-profits business :

- o advising on the measurement, management and mitigation of issues and risks that may affect the interests of the with-profits policyholders
- o analysing, and advising on, appropriate ways of determining bonus distribution policy and of achieving equity between different groups of with-profits policyholders
- o advising on the fair treatment of policyholders and compliance with, and recommending changes to, the PPFM
- ~~o determining with-profits bonus earning capacity~~
- o ~~determining~~ advising on bases for calculating surrender values and the terms for other policy alterations in so far as they may affect the interests of with-profits policyholders
- o ~~producing~~ understanding the derivation of the Realistic Balance Sheet, ~~including determining asset shares and advising whether the valuation of the with-profits business in the Realistic Balance Sheet is consistent with the PPFM~~

where recent means during a period of at least 3 out of the last 4 years and at least 3 months in the last 12 months.

3. The PCC may apply its discretion if an applicant can justify having gained alternative recent and relevant technical experience acceptable to the PCC under the terms of the PC Scheme.

Guidance on application of Technical Experience criteria : Life

In reviewing applications, the PCC will look to apply the technical experience criteria as follows. Discretion may be applied in the areas noted.

Applicants should read the below in conjunction with the generic criteria and in particular criterion 7. on recent and relevant experience. ~~An example~~Example Experience ~~sections~~sections of the application form for initial and renewal applicants can be found ~~here on~~the website.

Criterion	Guidance
1	<p>Life Insurance actuaries are involved in many aspects of the underlying business. The technical experience criteria in 1 identify the areas relevant for application for a an AFH / RA Life Actuary Certificate (not including with profits).</p> <p>The applicant should demonstrate on the application form that they have gained recent experience in a number of these relevant areas</p> <p>a) Initial applications : during a period of at least 3 out of the last 4 years with at least 3 months in the last 12 months</p> <p>b) renewal applications : experience over the last 12 months in evidence of their continuing to meet the criteria during a period of at least 3 out of the last 4 years (Note if no experience in the last 12 months then the PCC will have regard to previous years' experience as declared on previous applications.)</p> <p>The PCC do not expect an applicant with deep knowledge of a subject area to have gained recent experience in a large number of these areas. The Life PEG<u>Board</u> and the PCC normally would expect an applicant to demonstrate recent deep experience of at least two of the technical areas in 1. during a 3 year period.</p> <p>It is important to include on the application form:</p> <ul style="list-style-type: none"> ▪ description of the role(s) the applicant undertook (for example overseeing the whole ICA<u>Individual Capital Assessment (ICA) including impact of stressed conditions</u>, and producing the Board report vs undertaking the calculation of the market risk component to feed into an overall ICA report) ▪ the responsibilities of the role(s) undertaken (especially to outline the work the applicant was directly responsible for and the communication thereof) <u>to the relevant Board or committee</u>) ▪ description of the types/classes/volumes of business covered ▪ any regulatory/statutory role undertaken and/or direct interaction with the FCA or PRA <p>The PCC is looking for breadth/variety of experience in the application of advice in the relevant technical areas as well as depth of technical knowledge.</p> <p>Experience can be provided as an actuary internal to the company/its life business or as an external consultant <u>or as the reviewing actuary advising the audit partner</u>. It is sufficient for the applicant to demonstrate their role in drawing up and communicating the advice in support of a Statutory Role<u>an Actuarial Function</u> Holder <u>or Reviewing Actuary</u>.</p>
2	<p>The technical experience criteria in 2. identify the additional areas relevant for application for a WPA Life Actuary Certificate (including with profits). The applicant should demonstrate on the application form that they have gained recent experience in a number of these relevant areas</p> <p>a) Initial applications : during a period of at least 3 out of the last 4 years and</p>

	<p>during at least 3 months in the last 12 months</p> <p>b) renewal applications : experience over the last 12 months in evidence of their continuing to meet the criteria during a period of at least 3 out of the last 4 years. (Note if no experience in the last 12 months then the PCC will have regard to previous years' experience as declared on previous applications.)</p> <p>The PCC do not expect an applicant with deep knowledge of a subject area to have gained recent experience in a large number of these areas. The Life PCC Board and the PCC normally would expect an applicant to demonstrate recent deep experience of <u>at least two most</u> of the technical areas noted in 2. during a 3 year period.</p> <p><u>It is important to include on the application form:</u></p> <ul style="list-style-type: none"> ▪ <u>description of the role(s) the applicant undertook (for example contributing towards the determination of asset shares, advising on run off plans for the with-profits business or advising on the use of the free estate)</u> ▪ <u>the responsibilities of the role(s) undertaken (especially to outline the work the applicant was directly responsible for and the communication thereof)</u> ▪ <u>description of the types/classes/volumes of business covered</u> ▪ <u>any regulatory/statutory role undertaken and/or direct interaction with the FCA or PRA</u> <p>The PCC is looking for breadth/variety of experience in the application of advice in the relevant technical areas as well as depth of technical knowledge.</p> <p>Experience can be provided as an actuary internal to the company/its life business or as an external consultant. It is sufficient for the applicant to demonstrate their role in drawing up and communicating the advice in support of a <u>Statutory Role Holder/With-Profits Actuary</u>.</p> <p>For example, an applicant with little or no with-profits experience should not expect to be awarded a with-profitsWPA practising Ccertificate just because the life insurance business they work for has a small with-profits business and it is operationally convenient for that business if the applicant is awarded a with-profitsWPA practising Ccertificate. A with-profitsWPA practising Ccertificate will only be awarded to those applicants who demonstrate the required experience of relevant technical areas for a with-profitsWPA Ccertificate.</p>
3	<p>If an applicant does not meet the recent and relevant technical experience criteria expressed above, the applicant must demonstrate to the PCC why they consider that their experience should be considered for a practising certificate. The applicant should be specific as to the reason or reasons why they do not meet the criteria and the justification given for the application.</p> <p>In particular, the PCC may in special circumstances consider knowledge and experience gained from work done in areas other than those listed under the technical criteria or over a shorter timeframe than 3 in the last 4 years. This could come in a number of forms.</p> <p>For example, the applicant hasn't met the recent experience criteria but has otherwise developed and delivered advice that meets the breadth and depth of the technical experience criteria requirements during the last 4 years that a PC holder would otherwise be expected to demonstrate. Examples might include</p> <ul style="list-style-type: none"> ▪ the applicant does not have the full 3 in the last 4 year's experience of the technical criteria in a UK Life insurance market but can demonstrate significant experience at a senior level of similar work in non-UK jurisdictions over an extended period ▪ the applicant has considerable longer term experience but has been

involved in project work more recently which doesn't involve ~~with-profits~~
~~business~~WPA duties

This list is not meant to be exhaustive but is designed to be illustrative of circumstances where the PCC may apply discretion in determining if the applicant meets the recent and relevant technical experience criteria and grant a PC if the evidence presented in the application justified it.

Technical Experience Criteria and Guidance on their application [Extract]

To be awarded a Practising Certificate, the Practising Certificates Committee (PCC) must be satisfied that the applicant is fit and proper to hold a PC and that they meet the generic and technical criteria set down by the profession.

The technical experience criteria by practice area are set out in the links below. Attached to the criteria is guidance from the PCC as to

- What experience it is looking for applicants to demonstrate through the application form, including an example experience page of the application form for each practice area; and
- How the PCC will then apply that experience against the criteria

[Life](#)

[Lloyd's](#)

[Pensions](#)

The technical experience criteria update and replace the previous criteria (which continue to apply for applications to and including 24 January 2012) which were largely set when practising certificates were first introduced for each practice area. They have been updated by the Practice Executive Committees in consultation with the PCC to reflect current expectations of a statutory role holder doing reserved work recognising changing regulation and practice since the PC Scheme was introduced. The PECs and the PCC do not consider that the updated technical experience criteria represent significant change to the way the PCC have been operating the PC Scheme in practice.

Technical Experience Criteria from 1 September 2014 : Life

The technical experience requirements to obtain a Life Actuary Practising Certificate are set out below :

1. For an AFH / RA Certificate : All applicants are required to demonstrate that they have gained recent experience in a number of the technical areas below:

- advising on the measurement, management and mitigation of issues and risks to which a life insurer is exposed
- advising on the appropriate pricing basis for long-term insurance contracts
- advising on the requirements for capital
- undertaking the Individual Capital Assessment
- assessing the embedded value of the business
- advising on appropriate bases and methodologies for valuing the assets and liabilities
- advising on appropriate reinsurance arrangements
- analysing the matching of assets and liabilities and advising on investment strategy

where recent means during a period of at least 3 out of the last 4 years and at least 3 months in the last 12 months

2. For a WPA Certificate : All applicants are required to demonstrate recent experience in a number of the technical areas below relating to with-profits business :

- advising on the measurement, management and mitigation of issues and risks that may affect the interests of the with-profits policyholders
- analysing, and advising on, appropriate ways of determining bonus distribution policy and of achieving equity between different groups of with-profits policyholders
- advising on the fair treatment of policyholders and compliance with, and recommending changes to, the PPFM
- advising on bases for calculating surrender values and the terms for other policy alterations in so far as they may affect the interests of with-profits policyholders
- understanding the derivation of the Realistic Balance Sheet and advising whether the valuation of the with-profits business in the Realistic Balance Sheet is consistent with the PPFM

where recent means during a period of at least 3 out of the last 4 years and at least 3 months in the last 12 months.

3. The PCC may apply its discretion if an applicant can justify having gained alternative recent and relevant technical experience acceptable to the PCC under the terms of the PC Scheme.

Guidance on application of Technical Experience criteria : Life

In reviewing applications, the PCC will look to apply the technical experience criteria as follows. Discretion may be applied in the areas noted.

Applicants should read the below in conjunction with the generic criteria and in particular criterion 7 on recent and relevant experience. Example Experience sections of the application form for initial and renewal applicants can be found on the [website](#).

Criterion	Guidance
1	<p>Life Insurance actuaries are involved in many aspects of the underlying business. The technical experience criteria in 1 identify the areas relevant for application for an AFH / RA Certificate.</p> <p>The applicant should demonstrate on the application form that they have gained recent experience in a number of these relevant areas</p> <p>a) Initial applications : during a period of at least 3 out of the last 4 years with at least 3 months in the last 12 months</p> <p>b) renewal applications : experience over the last 12 months in evidence of their continuing to meet the criteria during a period of at least 3 out of the last 4 years (Note if no experience in the last 12 months then the PCC will have regard to previous years' experience as declared on previous applications.)</p> <p>The PCC do not expect an applicant with deep knowledge of a subject area to have gained recent experience in a large number of these areas. Life Board and the PCC normally would expect an applicant to demonstrate recent deep experience of at least two of the technical areas in 1. during a 3 year period.</p> <p>It is important to include on the application form:</p> <ul style="list-style-type: none"> ▪ description of the role(s) the applicant undertook (for example overseeing the whole Individual Capital Assessment (ICA) including impact of stressed conditions, and producing the Board report vs undertaking the calculation of the market risk component to feed into an overall ICA report) ▪ the responsibilities of the role(s) undertaken (especially to outline the work the applicant was directly responsible for and the communication thereof to the relevant Board or committee) ▪ description of the types/classes/volumes of business covered ▪ any regulatory/statutory role undertaken and/or direct interaction with the FCA or PRA <p>The PCC is looking for breadth/variety of experience in the application of advice in the relevant technical areas as well as depth of technical knowledge.</p> <p>Experience can be provided as an actuary internal to the company/its life business, as an external consultant or as the reviewing actuary advising the audit partner. It is sufficient for the applicant to demonstrate their role in drawing up and communicating the advice in support of an Actuarial Function Holder or Reviewing Actuary.</p>
2	<p>The technical experience criteria in 2. identify the areas relevant for application for a WPA Certificate. The applicant should demonstrate on the application form that they have gained recent experience in a number of these relevant areas.</p>

	<p>a) Initial applications : during a period of at least 3 out of the last 4 years and during at least 3 months in the last 12 months</p> <p>b) renewal applications : experience over the last 12 months in evidence of their continuing to meet the criteria during a period of at least 3 out of the last 4 years. (Note if no experience in the last 12 months then the PCC will have regard to previous years' experience as declared on previous applications.)</p> <p>Life Board and the PCC normally would expect an applicant to demonstrate recent deep experience of most of the technical areas noted in 2. during a 3 year period.</p> <p>It is important to include on the application form:</p> <ul style="list-style-type: none"> ▪ description of the role(s) the applicant undertook (for example contributing towards the determination of asset shares, advising on run off plans for the with-profits business or advising on the use of the free estate) ▪ the responsibilities of the role(s) undertaken (especially to outline the work the applicant was directly responsible for and the communication thereof) ▪ description of the types/classes/volumes of business covered ▪ any regulatory/statutory role undertaken and/or direct interaction with the FCA or PRA <p>The PCC is looking for breadth/variety of experience in the application of advice in the relevant technical areas as well as depth of technical knowledge.</p> <p>Experience can be provided as an actuary internal to the company/its life business or as an external consultant. It is sufficient for the applicant to demonstrate their role in drawing up and communicating the advice in support of a With-Profits Actuary.</p> <p>For example, an applicant with little or no with-profits experience should not expect to be awarded a WPA Certificate just because the life insurance business they work for has a small with-profits business and it is operationally convenient for that business if the applicant is awarded a WPA Certificate. A WPA Certificate will only be awarded to those applicants who demonstrate the required experience of relevant technical areas for a WPA Certificate.</p>
3	<p>If an applicant does not meet the recent and relevant technical experience criteria expressed above, the applicant must demonstrate to the PCC why they consider that their experience should be considered for a practising certificate. The applicant should be specific as to the reason or reasons why they do not meet the criteria and the justification given for the application.</p> <p>In particular, the PCC may in special circumstances consider knowledge and experience gained from work done in areas other than those listed under the technical criteria or over a shorter timeframe than 3 in the last 4 years. This could come in a number of forms.</p> <p>For example, the applicant hasn't met the recent experience criteria but has otherwise developed and delivered advice that meets the breadth and depth of the technical experience criteria requirements during the last 4 years that a PC holder would otherwise be expected to demonstrate. Examples might include</p>

- | | |
|--|--|
| | <ul style="list-style-type: none">▪ the applicant does not have the full 3 in the last 4 year's experience of the technical criteria in a UK Life insurance market but can demonstrate significant experience at a senior level of similar work in non-UK jurisdictions over an extended period▪ the applicant has considerable longer term experience but has been involved in project work more recently which doesn't involve WPA duties |
|--|--|

This list is not meant to be exhaustive but is designed to be illustrative of circumstances where the PCC may apply discretion in determining if the applicant meets the recent and relevant technical experience criteria and grant a PC if the evidence presented in the application justified it.

Example Experience Forms for new Life PCs

1. Technical Criteria relevant for an AFH/RA Certificate [initial application]

Experience

A. Provide details of specific work carried out during the last year that demonstrates your continued recent experience of the technical criteria relevant for an AFH/RA Certificate, and your role in developing that work and delivering it to the user, in support of attestation 2 on page 4 below.

In the last year, as head of the valuation team supporting the AFH I was responsible for

- Producing Pillar I valuation reserves, including bulk-annuity, unit-linked and with-profits business lines, for 201X PRA Returns
- Benchmarking assumptions for 201X Pillar II valuation and produced formal Pillar II valuation report
- Working closely with the AFH, advising the Board on XYZ Insurance Company's reinsurance arrangements
- Managing production of Individual Capital Assessments for A,B, C and D business lines, including presentation and discussion of results with the Board
- Led development of an ERM framework as part of a wider team focusing on the methodology and metrics used to measure risk.

Over the last four years, I have additionally:

- In 201X and 201Y, led a team developing technical actuarial standards and developing MCEV methodology.
- Monitored the statutory free assets and solvency position of long-term funds (annual task for each of the last two years). Communicated results to the Board
- Participated in advising the Board on the equitable allocation of expenses to different lines of business (on-going activity throughout the period).
- Supported the AFH in undertaking the Individual Capital Assessment for 201Y and 201Z
- Led actuarial team carrying out extensive analysis and review of evolving Solvency II requirements, pillar I and pillar II, and communicated results to Board and Risk & Audit Committee
- In 201Y, advised CEO on sensitivity of FCR projections to changes in key assumptions

(Please use extra sheet if required)

B. If the applicant doesn't consider that they meet the technical criteria but has alternative experience they wish to be considered, please tick the box below and set out on a separate sheet that alternative experience together with why the applicant considers it justifies consideration by the Practising Certificates Committee in relation to the granting of a certificate to act as an Actuarial Function Holder or a Reviewing Actuary.

I have alternative experience I wish the PCC to consider as part of my application.

Example Experience Forms for new Life PCs

2. Technical Criteria relevant for an AFH/RA Certificate [renewal application]

Experience

A. Provide details of specific work carried out during the last year that demonstrates your continued recent experience of the technical criteria relevant for an AFH/RA Certificate, and your role in developing that work and delivering it to the user, in support of attestation 2 on page 4 below.

Role: AFH to XYZ Company

The role of AFH includes membership of the Management Board, advising the Chief Executive which reviews papers for all group life companies before submission to the Board.

Experience over the last 12 months includes:

- Advising the management and Board on matters relating to the financial management of all business in the Group both directly and through participation in the risk management governance processes
- Advising the management and Board on capital implications of introducing a new product in XYZ Life Company
- Undertaking the controlled function of CF12 and CF29
- Responsibility for components of the company's Internal Model under Solvency II with particular responsibility for advising the Boards on model design
- Management, review and delivery of ICA results for all required group entities, (including consolidated results) including presentation to the Board for approval.

Including on-going tasks:

- Advising the Board on the implementation of the Solvency II proposals including the implications for capital management
- Advising the Board on the capital impact of proposed investment strategy for annuity business
- Advising the relevant Boards on the assumptions, methods and results for the valuation of liabilities (Peak 1 and Peak 2) to be included in the returns to the PRA and the Companies Act accounts
- In conjunction with the Finance Director advising the Board on the assumptions, methods and results for the determination of the Individual Capital Assessment and the analysis of the results
- Monitoring and advising the Boards on the statutory free assets and solvency position of the long-term funds
- Advising the Board on Treating Customers Fairly and recommending resolutions to issues arising in connection with the disclosure of risks on certain derivative based products
- Advising the Board on pricing and reinsurance strategy for non-profit protection business.

(Please use extra sheet if required)

B. If the applicant doesn't consider that they meet the technical criteria but has alternative experience they wish to be considered, please tick the box below and set out on a separate sheet that alternative experience together with why the applicant considers it justifies consideration by the Practising Certificates Committee in relation to the granting of a certificate to act as an Actuarial Function Holder or Reviewing Actuary.

I have alternative experience I wish the PCC to consider as part of my application.

Example Experience Forms for new Life PCs

3. Technical Criteria relevant for a WPA Certificate [initial application]

Experience

A. Provide details of specific work carried out during the last year that demonstrates your continued recent experience of the technical criteria relevant for a WPA Certificate, and your role in developing that work and delivering it to the user, in support of attestation 2 on page 4 below.

In the last year, as head of the with profits actuarial team [*or other role – please specify*] I produced analysis and draft reports for the WPA and AFH and after discussion produced final versions for the WPA and AFH. The work included:

- advising the Board and WP Committee on compliance with the PPFM and preparing bonus and investment recommendations that ensured compliance with the PPFM and equitable treatment of different classes and cohorts of policyholders
- assisting the WPA through undertaking the analysis for advising the Board and WP Committee on the bonus declarations and surrender basis reviews for with-profits business at 30 June 201X and 31 December 201X
- managing the analysis for the WPA to advise the Board and WP Committee on smoothing and guarantee adjustments to asset shares at 31 December 201X.

In each case I attended the Board meetings and assisted the AFH in presenting the results.

Over the last 4 years, I have additionally:

- In my role as xxxxx, assisted with review of the strategic operation of the Group's With Profit funds in 201Z to consider how the surplus accumulated in the fund should be distributed and review the approach to writing new business to ensure that this met regulatory requirements
- Reported to the WP Committee, in my role as yyyy, on investing in assets which could be inappropriate investments for the with-profits fund to hold due to liquidity, valuation issues and other considerations
- In my role as zzzz, assisted in advising the Board and WP Committee on the bonus declarations and surrender basis reviews for with-profits business at 30 June 201Y and 31 December 201Y, 30 June 201Z and 31 December 201Z
- In 201Z, in my role as zzzz, assisted the WPA and AFH in producing internal run-off plans for all with-profits funds, projecting business results and identifying issues potentially impacting the run-off of the funds and recommending to the Board and WP Committee how to manage these issues. In each case I attended the meetings and assisted the WPA and AFH in presenting the results.

(Please use extra sheet if required)

B. If the applicant doesn't consider that they meet the technical criteria but has alternative experience they wish to be considered, please tick the box below and set out on a separate sheet that alternative experience together with why the applicant considers it justifies consideration by the Practising Certificates Committee in relation to the granting of a certificate to act as a With Profits Actuary.

I have alternative experience I wish the PCC to consider as part of my application.

Example Experience Forms for new Life PCs

4. Technical Criteria relevant for a WPA Certificate [renewal application]

Experience

A. Provide details of specific work carried out during the last year that demonstrates your continued recent experience of the technical criteria relevant for a WPA Certificate, and your role in developing that work and delivering it to the user, in support of attestation 2 on page 4 below.

Role: With Profits Actuary of XYZ Company

The role includes chairing the Treating Customers Fairly Committee which reviews papers relating to the exercise of discretion for three ring-fenced with-profits funds before submission to the With Profits Committee.

Experience over the last 12 months includes:

- Advising the management and Board on matters relating to the financial management of all with profits business in XYZ both directly and through participation in the with profits governance processes
- Advising the management and Board on options for the run-off of with profits funds in the Group
- Undertaking the controlled function of CF12A
- Responsibility for the with profit components of the company's Internal Model under Solvency II including recommendations on estate management and management actions.

Including on-going tasks:

- Advising the Board on the implications of the Solvency II proposals for capital release and estate distribution in the with-profits funds
- Advising the Board and WPC on changes to with profits surrender value basis and methodology to achieve a better targeting of asset shares, proposing the PPFM changes required and implementing the changes
- Advising the Board and WPC on the impact of changing the investments on the WP policyholders
- Monitoring and reporting on compliance with the relevant Principles and Practices of Financial Management (PPFM)
- Advising the Board and WPC on reviews undertaken of the financial management of the with profit fund including, estate distribution, pay-out philosophy, asset share methodology and charges for smoothing and guarantees
- Advising the Board and WPC on claim payments including surrender values and maturity values (incl bonus declarations and the setting the review of payout ranges for with profits business)
- Monitoring the statutory free assets and solvency position of the long-term funds
- Advising the Board on Treating Customers Fairly and recommending resolutions to issues arising between the WP Fund and other companies
- Advising the Board on pricing of non-profit business being written in the WP Fund

(Please use extra sheet if required)

B. If the applicant doesn't consider that they meet the technical criteria but has alternative experience they wish to be considered, please tick the box below and set out on a separate sheet that alternative experience together with why the applicant considers it justifies consideration by the Practising Certificates Committee in relation to the granting of a certificate to act as a With Profits Actuary.

I have alternative experience I wish the PCC to consider as part of my application.

Appendix 5

1. Consultation questions

We invite your comments on the Working Party's proposals. It would be helpful if you would offer them by responding to the following questions.

The questionnaire can be completed online by following the link which can be found at the [Consultations and Discussion Papers](#) page of the IFoA's website.

Please indicate whether any of the information you supply in your response to this consultation document ought to be treated confidentially. Unless you indicate that your responses are to remain confidential, we may make responses to this paper available on our website.

1. Do you want your comments to remain confidential?

Yes	
No	

2. Are you an actuary?

Yes	
No (please proceed to question 4)	

3. Which fields of actuarial work are you involved in?

Comments:

4. How many years qualified are you?

Comments:

5. Do you currently hold a Life Actuary practising certificate?

Yes (not including with-profits)	
Yes (including with-profits)	
No	

6. If not, do you consider that you may apply in the future to hold a Life Actuary practising certificate?

Yes	
No	

7. What is your occupation/role?

Comments:

8. Do you advise in relation to with-profits business?

Yes	
No	

9. Please list any reserved roles you have acted in the last 12 months

Actuarial Function Holder	
Reviewing Actuary	
With-profits Actuary	
Appropriate Actuary	
Appointed Actuary (please specify the country)	
Other (please specify)	

10. Do you agree with the proposal to restructure Life Actuary practising certificates consistent with the duties of particular reserved roles? That is, one relating to the role of Actuarial Function Holder and the Reviewing Actuary, and one to the role of the With-profits Actuary?

Strongly agree	
Agree	
Neither agree nor disagree	
Disagree	
Strongly disagree	

If you disagree, how would you address the concerns expressed by practitioners that it is increasingly difficult to meet the current technical criteria which relate to the duties of both a WPA and those of an AFH/RA?

Comments:

11. The proposals require that an Appropriate Actuary to a friendly society requires a WPA certificate where that society conducts with-profits business. No certificate is required if only non with-profits business is conducted. Do you agree?

Strongly agree	
Agree	
Neither agree nor disagree	
Disagree	
Strongly disagree	

Please comment if you think a different structure should apply to Appropriate Actuaries.

Comments:

12. Do you agree that the proposed changes do not have a material adverse effect on any Life reserved role holders or Life PC holders?

Agree	
Disagree	

If you disagree, please advise what adverse effects you believe the proposed changes would result in.

Comments:

13. Do you consider the proposed changes to the technical experience criteria and guidance (Appendix 2) align more closely with the duties of the applicable reserved role holder and are appropriate and proportionate to qualify for a practising certificate to be able to act in such a role?

Strongly agree	
Agree	
Neither agree nor disagree	
Disagree	
Strongly disagree	

If you consider that alternative or additional or fewer technical experience criteria are appropriate, please comment below.

Comments:

14. Any other comments?

Comments: