



Institute
and Faculty
of Actuaries

CP18/16: Reporting Requirements for non-SII Insurance Firms

IFoA response to the Prudential Regulation
Authority

13 June 2016

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.



SII: CP18/16 Response
Greg Stump
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

13 June 2016

Dear Greg

IFoA response to CP18/16: Reporting Requirements for non-SII Insurance Firms

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the Prudential Regulation Authority's (PRA) consultation paper on the reporting requirements for non-Solvency II (SII) insurance firms. The IFoA's Life Standards and Consultations Subcommittee and Life Board have led the drafting of this response.
2. The IFoA believes that these proposals represent a proportionate and sensible approach to achieving the PRA's objectives with regard to firms outside the scope of SII. We agree that the proposals within the consultation paper do not represent a fundamental change in PRA policy.
3. The proposals for non-SII firms effectively correspond to a regime similar to the status quo, with a few simplifications. For non-SII *registered* friendly societies, the requirements are again similar to the status quo. With respect to non-SII *incorporated* friendly societies, we note the proposed alignment of reporting requirements to those of registered societies. This alignment addresses the differentiation of the current Rules for friendly societies - between registered and incorporated - on the grounds of structure rather than size. We also support this proposed alignment.
4. However, there are three areas we would like to highlight:
 - a. The proposed implementation date for non-SII firms (except friendly societies) is 1 July 2016. Given that the proposals were open for consultation from 3 May to 13 June 2016, this implementation date may be quite tight, particularly for those firms with a Financial Year ending prior to 31 December.
 - b. The proposed requirement for all non-SII friendly societies to perform a full valuation for the 2017 Financial Year End (and three-yearly thereafter) will cause a triennial spike in the workload of the actuarial firms which provide valuation services to these friendly societies.
 - c. The new Rules require an incorporated friendly society to appoint an appropriate actuary to carry out a triennial valuation. However, there does not appear to be a consequential amendment which would repeal the requirement in Actuarial Requirements 2.1 of the PRA Rulebook for incorporated societies to appoint an

Actuarial Function Holder and a With-Profits Actuary. It is unclear whether this is an oversight.

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,

A handwritten signature in black ink, appearing to be 'FM', followed by a long horizontal line extending to the right.

Fiona Morrison
President, Institute and Faculty of Actuaries