



Institute
and Faculty
of Actuaries

CP8/17: Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms

IFoA response to Prudential Regulation Authority

22 September 2017

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.



William Hewitson
Prudential Regulation Authority
20 Moorgate
London
EC2R 6DA

22 September 2017

Dear William

IFoA response to Consultation Paper CP8/17: Strengthening accountability in banking and insurance: optimisations to the SIMR, and changes to SMR forms

1. The Institute and Faculty of Actuaries (IFoA) welcomes the opportunity to respond to the PRA's consultation on changes to the Senior Insurance Managers Regime (SIMR). Our Non-Executive Directors (NED) Member Interest Group has provided most of the comments in this brief response.
2. The IFoA is unclear about the overall purpose of the proposals. We are unsure of the benefits the proposed changes would bring. Within the EU, the increase in regulation appears only to be taking place in the UK. We believe this will add unnecessary regulation to the UK insurance sector and, given the imminent departure of the UK from the EU, could be detrimental to firms retaining, or establishing, business activity in the UK. If the PRA believes the changes are necessary, we would encourage some further thinking about the timing of their introduction.
3. In terms of the Chief Operating Officer SIMF, the consultation paper recognises the challenges in some firms of identifying who would hold that function. Operating structures of firms are not uniform and the need to identify a SIMF could add a disproportionate regulatory burden.
4. In addition, the operations functions within insurance and banking are very different. Operations are critical to banking, whereas, critical elements of insurance firms are spread across a number of business areas. We are uncertain of the benefits in trying to align this new function across both disciplines.
5. While we understand the merits of separating the executive and oversight roles, we are uncertain the approach outlined in the consultation is the best means of addressing the issue. Our preference would be for the PRA to consider individuals on a case-by-case basis if there appeared to be clear conflicts between executive and oversight roles.
6. One example of this could be where a life assurance company is a subsidiary of an asset management firm. It is possible to have an executive of a parent firm sit with oversight responsibilities of the subsidiary. While conflicts may arise, we believe that individuals facing them will be capable of exercising judgment in managing those conflicts. As part of its

supervision, the PRA could remove any approvals for individuals holding dual roles, if it were apparent they could not manage any conflicts.

Should you wish to discuss any of the points raised in further detail please contact Philip Daggart, Technical Policy Manager (philip.daggart@actuaries.org.uk / 0207 632 2146) in the first instance.

Yours sincerely

A handwritten signature in black ink, appearing to read "M. Ngwenya".

Marjorie Ngwenya
President, Institute and Faculty of Actuaries