



## APS L1: DUTIES AND RESPONSIBILITIES OF LIFE ASSURANCE ACTUARIES

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**Purpose:** This **APS** sets out the requirements for **Members** carrying out the roles of:-

- **Chief Actuary** for long-term business in a **Solvency II firm**;
- **Small Insurer Chief Actuary**,
- **With-Profits Actuary**;
- **Appropriate Actuary** for non-**Solvency II firms**;
- **Reviewing Actuary** for **Firms** transacting long-term insurance business,

and the relationships between them and the **Members** who support those role holders.

**Target Audience:** **Chief Actuaries, Small Insurer Chief Actuaries, With-Profits Actuaries Appropriate Actuaries, and Reviewing Actuaries**, appointed by or in respect of UK authorised Insurance Companies and **Friendly Societies** writing long-term insurance business.  
**Members** who support those role holders.

### 1. General obligations

- 1.1 Before taking up an appointment as a **Chief Actuary, Small Insurer Chief Actuary, With-Profits Actuary, Appropriate Actuary or Reviewing Actuary**, **Members** must consider whether it is necessary to have a discussion with their immediate predecessor, if any, regarding the role and must, to the extent it is appropriate and proportionate, ensure that such a discussion takes place.
- 1.2 **Members** must communicate clearly the standpoint from which they are acting. Further, **Members** must indicate clearly whether they are acting to comply with statutory or regulatory obligations and/or as an employee, director or external adviser.
- 1.3 **Members** who support a **Chief Actuary, Small Insurer Chief Actuary, With-Profits Actuary, Appropriate Actuary or Reviewing Actuary** must ensure that they are aware of the responsibilities of those role holders when providing such support.

- 1.4 **Chief Actuaries, Small Insurer Chief Actuaries, With-Profits Actuaries and Appropriate Actuaries** should pay due regard to generally accepted actuarial practice. A **Member** holding one of the aforementioned roles who adopts a practice which is significantly different from non-mandatory, generally accepted actuarial practice, must disclose the reasons for adopting that practice. In this context, “significantly different”, refers to the effect of the practice on the results. A major difference in practice on an item which is trivial in its effect is not significant for this purpose.
2. **Chief Actuaries**
- 2.1 **Chief Actuaries to Solvency II firms** must hold a **Chief Actuary (Life) Practising Certificate**.
- 2.2 **Chief Actuaries to Large Non-Directive Insurers and Small Insurer Chief Actuaries** must hold either a **Chief Actuary (Life) Practising Certificate** or a **Chief Actuary (Life, Non-Directive) Practising Certificate**.
- 2.3 **Chief Actuaries and Small Insurer Chief Actuaries** must ensure that they have the right to present a report to the **Firm’s Governing Body** in person, whenever they deem the report sufficiently important.
- 2.4 **Chief Actuaries and Small Insurer Chief Actuaries** must take all reasonable steps to:
- 2.4.1 ensure that they have sufficient information and resources to enable the necessary investigations to be carried out, both at the time of the appointment and thereafter; and
- 2.4.2 ensure, where the **Member** is a **Chief Actuary** to a **Solvency II firm**, that they have sufficient resources to give the opinions required by Article 48 of the **Solvency II Directive** and contribute to the effectiveness of the risk-management system referred to in Article 44 of the **Solvency II Directive**.
- 2.5 **Members** appointed to a role which does not cover all classes of the **Firm’s** business, must take all reasonable steps to obtain written confirmation from the **Governing Body** as to the classes of business to which they are appointed.
- 2.6 For **With-Profits Business, Chief Actuaries and Small Insurer Chief Actuaries** must ensure that they are aware of:
- 2.6.1 any advice given by the **With-Profits Actuary** on any aspects of discretion; and
- 2.6.2 relevant decisions taken by the **Firm** insofar as they affect liabilities to policyholders.

- 2.7 **Chief Actuaries** and **Small Insurer Chief Actuaries** must take all reasonable steps to ensure that the **Firm's** management is aware at all times of their interpretation of:
- 2.7.1 the **Firm's** obligations to treat its customers fairly; and
  - 2.7.2 policyholders' reasonable expectations which need to be taken into account in assessing the calculation of technical provisions and capital requirements, other than where the matter is covered by the responsibilities of the **With-Profits Actuary**.
- 2.8 **Chief Actuaries** and **Small Insurer Chief Actuaries** must take all reasonable steps to ensure that the **Firm** appreciates the implications for fairness and the reasonable expectations of its policyholders which need to be taken into account in assessing the liabilities, and capital requirements, when a significant change is planned to the **Firm's** business plans, practices or other circumstances, other than where the matter is covered by the responsibilities of the **With-Profits Actuary**.
- 2.9 **Chief Actuaries** and **Small Insurer Chief Actuaries** must also satisfy themselves that systems of control are in place which are intended to ensure that the **Firm's** policyholders are not misled as to their expectations. A **Chief Actuary** or **Small Insurer Chief Actuary** who believes that the systems of control may not be adequate, must, unless sufficient steps are otherwise taken to meet their concerns, draw this to the **Firm's** attention and advise the **Governing Body** accordingly.

### 3. **With-Profits Actuaries**

- 3.1. **With-Profits Actuaries** must hold a **With-Profits Actuary Practising Certificate**.
- 3.2 Where a **Firm** has more than one **With-Profits Fund**, a **Member** should not accept an appointment as a **With-Profits Actuary** for some but not all of the **With-Profits Funds** unless:
- 3.2.1 the **Principles and Practices of Financial Management** of the funds adequately describe the way in which the exercise of discretion impacts on the interaction between the different funds;
  - 3.2.2 the extent to which such interactions resulting from the exercise of discretion impact on **With-Profits Policyholders** is unlikely to be significant; and
  - 3.2.3 the terms of reference of the appointment allow the **Member** to discuss freely with the other **With-Profits Actuaries** appointed by the **Firm** the operation of all of its **With-Profits Funds**, and to have access to their written advice to the **Firm**.
- 3.3 A **Member** must not accept an appointment as a **With-Profits Actuary** in respect of only some of the classes of business in any one **With-Profits Fund**.
- 3.4 **With-Profits Actuaries** must ensure, as far as reasonably possible, that they have access to all necessary information and resources.

- 3.5 **With-Profits Actuaries** must advise the management of the **Firm** and, if necessary, the **Governing Body**, of any circumstances in which they believe that a communication should be issued by the **Firm** to the **Firm's With-Profits Policyholders**, or a particular class of such policyholders.
- 3.6 **With-Profits Actuaries must** advise the management of the **Firm** and, if necessary, the **Governing Body**, on the future exercise of discretion affecting its **With-Profits Business** whenever:
- 3.6.1 the **Firm or Governing Body** requests it;
  - 3.6.2 they consider that, in any respect, a proposed exercise of discretion might be inconsistent with the **Firm's Principles and Practices of Financial Management**;
  - 3.6.3 they consider that the **Firm's Principles and Practices of Financial Management** have become, or might become, inappropriate;
  - 3.6.4 the steps the **Firm** proposes to take in order to demonstrate its ability to meet its regulatory capital requirements raises particular issues relating to the exercise of discretion affecting those classes of the **With-Profits Business** of the **Firm** in respect of which he/she has been appointed; or
  - 3.6.5 they consider that the interests of the **With-Profit Policyholders** require it.
- 3.7 Where, in a **With-Profits Actuary's** opinion, there is uncertainty regarding the extent to which a **Governing Body** can exercise discretion when allocating surplus, they must state in their report or advice:
- 3.7.1 the nature of the uncertainty;
  - 3.7.2 the assumptions they have made with regard to the uncertainty;
  - 3.7.3 the consequences were the uncertainty to be resolved differently;
  - 3.7.4 where appropriate, that the **Firm**, if it has not already done so, seeks legal advice with regards to the uncertainty;
  - 3.7.5 the extent to which they have relied upon any legal advice concerning the uncertainty that the **Firm** has received; and
  - 3.7.6 whether in their opinion there is any conflict between any legal advice concerning that uncertainty that the **Firm** has received, and their interpretation of the fair treatment of the **Firm's With-Profits Policyholders** having particular regard to the **Firm's Principles and Practices of Financial Management**.
4. **Appropriate Actuaries**
- 4.1 **Appropriate Actuaries** must hold a **Chief Actuary (Life, Non-Directive) Practising Certificate**.

4.2 If an **Appropriate Actuary** advises the firm on the distribution of surplus, they must ensure that they have the appropriate experience to do so.

4.3 **Appropriate Actuaries** must ensure that they have:

4.3.1 the right to present a report to the **Firm's Governing Body** in person, should they deem the report sufficiently important; and

4.3.2 sufficient information and resources to enable the necessary investigations to be carried out. This applies both at the time of the appointment and thereafter.

## 5. **Reviewing Actuaries**

5.1 **Reviewing Actuaries** of **Solvency II Firms** must hold a **Chief Actuary (Life) Practising Certificate**. **Reviewing Actuaries** of any other **Firm** must hold either a **Chief Actuary (Life) Practising Certificate** or a **Chief Actuary (Life, Non- Directive) Practising Certificate**.

5.2 **Reviewing Actuaries** must carry out their duties in a manner agreed with the auditor of the entity being audited.

5.3 The auditor is responsible for determining the scope of the audit. However, the **Reviewing Actuary** must advise the auditor of the implications if the scope is narrower than one expected by the **Reviewing Actuary**. Any limitations in scope should be set out in the **Reviewing Actuary's** report to the auditor.

5.4 **Reviewing Actuaries** must be independent of the **Firm**. **Reviewing Actuaries** must discuss the auditor's independence requirements with them.

5.5 When providing advice to the auditor, **Reviewing Actuaries** must:

5.5.1 ensure that it is clear when they are acting in a formal capacity as the **Reviewing Actuary**;

5.5.2 in respect of the items within scope, advise the auditor on the methods and assumptions used by the **Firm** and, in particular, on whether they comply with the relevant regulatory requirements (which includes the requirements in respect of generally accepted actuarial practice); and

5.5.3 establish with the auditor the approach that the auditor will be taking to auditing items that are important inputs to the actuarial valuation such as assets, policy data, results of experience investigations and expense analysis.

## 6. **Relationship between the Chief Actuary, Small Insurer Chief Actuary and the With-Profits Actuary**

6.1 If some of the roles of **Chief Actuary**, **Small Insurer Chief Actuary** and **With-Profits Actuary** are combined, a **Member** in one of these roles must ensure that the **Governing Body** is aware of the particular role in which the **Member** is acting when presenting advice to it.

- 6.2 Where the roles of the **Chief Actuary** or **Small Insurer Chief Actuary** and the **With-Profits Actuary** are undertaken by different actuaries, a **Member** in any of these roles must ensure that:
- 6.2.1 they are aware of the work carried out by, and opinions of, the person in the other role; and
  - 6.2.2 their terms of reference allow regular, direct contact with the person in the other role.
- 6.3 A **Chief Actuary** or **Small Insurer Chief Actuary** must take account of a **Firm's** interpretation of its obligations to policyholders in respect of discretionary benefits on **With-Profits Business**. However, as this interpretation is only guided by the advice of the **With-Profits Actuary**, the **Chief Actuary** or **Small Insurer Chief Actuary** must not assume that the advice of the **With-Profits Actuary** will automatically be accepted.
- 6.4 **Chief Actuaries** and **Small Insurer Chief Actuaries** must satisfy themselves directly that the valuation recommendations made in respect of discretionary payments are appropriate in light of any obligations implied by the **Principles and Practices of Financial Management**.
- 6.5 **With-Profits-Actuaries** must be fully aware of the implications for capital requirements of the **Firm** of any recommendations on the exercise of discretion in respect of **With-Profits Policies** which they make or on which they express an opinion. **With-Profits Actuaries** should seek the relevant **Chief Actuary's** or **Small Insurer Chief Actuary's** opinion in this regard to ensure that any actuarial models upon which they intend to base advice use assumptions consistent with those used by the **Firm** in its modelling (or that the implications of any differences are explained to the **Governing Body**).
- 6.6 Where the calculation of asset shares is not the direct responsibility of the **With-Profits Actuary**, the **With-Profits Actuary** must ensure that:
- 6.6.1 they are familiar with the process; and
  - 6.6.2 that the process is in line with the **Firm's Principles and Practices of Financial Management**.
- 6.7 The **Chief Actuary**, **Small Insurer Chief Actuary** and the **With-Profits Actuary** must request access to any items prepared by the other as necessary to meet the requirements of this **APS**.
- 7. Relationship between the Chief Actuary, Small Insurer Chief Actuary and the Reviewing Actuary**
- 7.1 **Chief Actuaries** and **Small Insurer Chief Actuaries** should satisfy themselves personally on all relevant points and not rely on the checks or opinions of a **Reviewing Actuary**.
- 8. Interpretation and application**
- 8.1 This **APS** uses the word "must" to mean a specific mandatory requirement. It uses the word "should" to indicate that, while the presumption is that **Members** will comply with the provision in question, there may be some circumstances in which **Members** are able to justify non-compliance.

- 8.2 In the event of any inconsistency between this **APS** and the **Actuaries' Code**, the **Actuaries' Code** prevails.
- 8.3 A failure to comply with this **APS** may result in a finding of misconduct under the terms of the **IFoA's Disciplinary Scheme**.

## 9. Definitions

Unless the context otherwise requires, definitions in the singular shall include the plural.

<b>Term</b>	<b>Definition</b>
<b>Actuaries' Code</b>	The ethical professional code for <b>Members</b> issued by the Institute and Faculty of Actuaries.
<b>Appropriate Actuary</b>	A Fellow of the Institute and Faculty of Actuaries appointed by a <b>Friendly Society</b> in accordance with Non-Solvency II firms - Actuarial Requirements 7 of the <b>PRA Rulebook</b> .
<b>APS</b>	Actuarial Profession Standard issued by the Institute and Faculty of Actuaries.
<b>Chief Actuary</b>	The person appointed to have responsibility for the <b>Chief Actuary function</b> including any person to whom the <b>Chief Actuary function</b> is outsourced.
<b>Chief Actuary function</b>	In relation to a <b>Solvency II firm</b> , the function as defined in Solvency II Firms: Senior Insurance Managers Regime (No 2) Instrument: Rule 7.1 of the <b>PRA Rulebook</b> ; and in relation to a <b>Large Non-Directive Insurer</b> , the function as defined in Large Non-Solvency II Firms: Senior Insurance Managers Regime Instrument: Rule 6.1 of the <b>PRA Rulebook</b> .  Including any person to whom those functions are outsourced.
<b>Chief Actuary (Life) Practising Certificate</b>	A certificate issued by the Institute and Faculty of Actuaries on application by a <b>Member</b> to <b>Members</b> acting for a Solvency II or non-Solvency II firms.
<b>Chief Actuary (Life, Non-Directive) Practising Certificate</b>	A certificate issued by the Institute and Faculty of Actuaries on application by a <b>Member</b> to <b>Members</b> acting for a non-Solvency II firm.
<b>Firm</b>	An insurance company or <b>Friendly Society</b> in respect of which an actuary is appointed.

<b>Friendly Society</b>	An incorporated friendly society or a registered friendly society.
<b>Governing Body</b>	The Board of Directors or Committee of Management of a <b>Firm</b> .
<b>IFoA's Disciplinary Scheme</b>	The Disciplinary Scheme of the Institute and Faculty of Actuaries in force at the time of the relevant action.
<b>Large Non-Directive Insurer</b>	Has the meaning as in the Glossary to the <b>PRA Rulebook</b> .
<b>Member</b>	A member of the Institute and Faculty of Actuaries.
<b>Principles and Practices of Financial Management</b>	The Principles and Practices of Financial Management, containing with-profits principles and with-profits practices, which a <b>Firm</b> carrying on <b>With-Profits Business</b> must establish, maintain and record under the Financial Conduct Authority: Conduct of Business Sourcebook (COBS 20.3) (Principles and Practices of Financial Management).
<b>PRA</b>	The Prudential Regulation Authority (or its successor).
<b>PRA Rulebook</b>	The rules issued by the <b>PRA</b> under powers conferred by the Financial Services and Markets Act 2000 (FSMA).
<b>Reviewing Actuary</b>	An actuary independent of a <b>Firm</b> who is acting as an auditor's expert.
<b>Senior Insurance Managers Regime</b>	The regime brought into force by the <b>PRA Rulebook: Solvency II Firms: Senior Insurance Managers Regime (No2) Instrument 2015</b> .
<b>Small Non-Directive Insurer</b>	Has the meaning as in the Glossary of the <b>PRA Rulebook</b> .
<b>Small Insurer Chief Actuary</b>	The person appointed to have responsibility for the <b>Small Insurer Chief Actuary</b> function as defined in Non-Solvency II Firms, <b>Senior Insurance Managers Regime</b> , Rule 4.1 of the <b>PRA Rulebook</b> : including any person to whom that function is outsourced.
<b>Solvency II Directive</b>	Directive 2009/138/EC of the European Parliament and of the Council of 25 November 2009 on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II).
<b>Solvency II Firm</b>	A <b>Firm</b> as described in the <b>PRA Rulebook: Solvency II Firms Non Solvency II Firms: Insurance General Application Instrument 2015 Rule 2.1</b>

**With-Profits Actuary**

A **Member** appointed in accordance with either:

- (1) the **PRA Rulebook: Solvency II Firms: Actuaries Instrument 2015 2.2 or 2.4** to perform the role in 5.1; or
- (2) the **PRA Rulebook: Non-Solvency II Firms: Actuarial Requirements 2.1(2) or 2.3** to perform the role in Actuarial Requirements 6.

**With-Profits Actuary Practising Certificate**

A certificate issued by the Institute and Faculty of Actuaries on application by a **Member** to those **Members** acting as a **With-Profits Actuary**.

**With-Profits Business**

Any business of an insurer that may affect the amount or value of the assets comprising a **With-Profits Fund**.

**With-Profits Fund**

Has the meaning in the Glossary to the **PRA Rulebook**

**With-Profits Policyholder**

A policyholder under a contract falling within a class of long-term insurance business which is eligible to participate in any of the established surplus.