

**PRA RULEBOOK: SOLVENCY II FIRMS: ACTUARIES INSTRUMENT 2015**

**Powers exercised**

- A. The Prudential Regulation Authority ("PRA") makes this instrument in the exercise of the following powers and related provisions in the Financial Services and Markets Act 2000 ("the Act"):
- (1) section 137G (the PRA's general rules);
  - (2) section 137T (general supplementary powers);
  - (3) section 340(1) and (4) (Appointment: requirements on firms);
  - (4) section 340(3A) (Appointment: requirements as to co-operation); and
  - (5) section 340(6) and (7) (Appointment: qualifications of actuaries).
- B. The rule-making powers referred to above are specified for the purpose of section 138G(2) (Rule-making instrument) of the Act.

**Pre-conditions to making**

- C. In accordance with section 138J of the Act (Consultation by the PRA), the PRA consulted the Financial Conduct Authority. After consulting, the PRA published a draft of proposed rules and had regard to representations made.

**PRA Rulebook: Solvency II Firms: Actuaries Instrument 2015**

- D. The PRA makes the rules in the Annex to this instrument.

**Commencement**

- E. This instrument comes into force on 1 January 2016.

**Citation**

- F. This instrument may be cited as the PRA Rulebook: Solvency II Firms: Actuaries Instrument 2015.

**By order of the Board of the Prudential Regulation Authority**

17 March 2015

## Annex

In this Annex, the text is all new and is not underlined.

### Part

# ACTUARIES

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## Chapter content

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## 1 APPLICATION AND DEFINITIONS

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- 1.1 This Part applies to:
- (1) a *UK Solvency II firm*;
  - (2) in accordance with Insurance General Application 3, the *Society*, as modified by 7;
  - (3) in accordance with Insurance General Application 3, *managing agents*, as modified by 7; and
  - (4) *third country branch undertakings* excluding *Swiss general insurers*.

- 1.2 This Part applies to an *actuary* appointed under 2 or appointed under or as a result of a statutory provision other than in *FSMA*.

- 1.3 In this Part, the following definition shall apply:

*Chief Executive function*

means the *PRA controlled function* CF3 in the table of *PRA controlled functions* in SUP 10B.4.3 R of the *PRA Handbook*, described more fully in SUP 10B.6.7 R of the *PRA Handbook*.

*With-Profits Actuary function*

means the *PRA controlled function* CF12A in the table of *PRA controlled functions*, described more fully in SUP 10B.8.2 R of the *PRA Handbook* and Actuaries 5.1.

## 2 APPOINTMENT OF ACTUARIES

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- 2.1 A *firm* must appoint an external *actuary* if it does not have the capability within the *firm* or the *firm's group* to comply with Conditions Governing Business 6.1 or the relevant requirements of the *Solvency II Regulations*.
- 2.2 A *firm* carrying on *with-profits insurance business* must appoint one or more *actuaries* to perform the *With-Profits Actuary function* in respect of all classes of its *with-profits insurance business*.
- 2.3 A *firm* must:
- (1) when it becomes aware that a vacancy of an *actuary* required under 2.1 or 2.2 will arise or has arisen:
    - (a) notify the *PRA*; and
    - (b) give reasons for the vacancy,
 without delay, using the form referred to in Notifications 10.3;
  - (2) appoint an *actuary* to fill any vacancy of an *actuary* required under 2.1 or 2.2;
  - (3) ensure that the replacement *actuary* can take up the vacant post at the time the vacancy arises or as soon as reasonably practicable after that; and
  - (4) when a new *actuary* is appointed:
    - (a) notify the *PRA* of that appointment; and

- (b) advise the *PRA* of the name and business address of the *actuary* appointed and the date from which the appointment has effect,

using the form referred to in Notifications 10.3.

- 2.4 Where a *firm* fails to appoint an *actuary* under 2.1 or 2.2 within 28 days of a vacancy arising the *PRA* may appoint an *actuary* to perform either of the functions in 2.1 or 2.2 for that *firm* on the following terms:
- (1) the *actuary* to be remunerated by the *firm* on the basis agreed between the *actuary* and *firm* or, in the absence of agreement, on a reasonable basis; and
  - (2) the *actuary* to perform the function required under 2.1 or 2.2 until he resigns or the *firm* appoints another *actuary*.
- 2.5 A *firm* must comply with and is bound by the terms on which an *actuary* has been appointed by the *PRA*.
- 2.6 Where the *PRA* appoints an *actuary* to perform either of the functions in 2.1 or 2.2 for a *firm*, the requirements under 2.1 and 2.2 to make appointments under those rules still apply to that *firm*.

### 3 ACTUARIES' QUALIFICATIONS

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- 3.1 Before a *firm* appoints an *actuary* under 2.1 or 2.2, it must take reasonable steps to ensure that the *actuary* has the required skill and experience to perform his functions under the *regulatory system* commensurate with the nature, scale and complexity of the *firm's* business and the requirements and standards under the *regulatory system* to which it is subject.
- 3.2 A *firm* must not appoint as *actuary* a *person* who is disqualified under Part XXII of *FSMA* (Auditors and Actuaries) from acting as an *actuary* either for that *firm* or for a relevant class of *firm*.
- 3.3 A *firm* must take reasonable steps to ensure that an *actuary*, which it is planning to appoint or has appointed, provides information to the *PRA* about the *actuary's* qualifications, skills, experience and any other relevant matters in accordance with the reasonable requests of the *PRA*.

### 4 CONFLICTS OF INTEREST

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- 4.1 A *firm* must take reasonable steps to ensure that an *actuary* that it appoints:
- (1) does not perform the function of *Chief Executive function*;
  - (2) does not, if he is to perform the *With-Profits Actuary function*, become a member of the *firm's governing body*; and
  - (3) does not perform any other function on behalf of the *firm* which could give rise to a significant conflict of interest.

### 5 WITH-PROFITS ACTUARY FUNCTION

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- 5.1 An *actuary* appointed to perform the *With-Profits Actuary function* must:
- (1) advise the *firm's* management, at the level of seniority that is reasonably appropriate, on key aspects of the discretion to be exercised affecting those classes of the *with-profits insurance business* of the *firm* in respect of which he has been appointed;

- (2) advise the *firm's governing body* as to whether the assumptions used to calculate the future discretionary benefits within the *technical provisions* under Technical Provisions 9.1 are consistent with the *firm's PPFM* in respect of those classes of the *firm's with-profits insurance business*;
- (3) at least once a year, report to the *firm's governing body* on key aspects (including those aspects of the *firm's* application of its *PPFM* on which the advice described in (1) has been given) of the discretion exercised in respect of the period covered by his report affecting those classes of *with-profits insurance business* of the *firm*;
- (4) request from the *firm* such information and explanations as he reasonably considers necessary to enable him properly to perform the duties in (1) to (3);
- (5) advise the *firm* as to the data and systems that he reasonably considers necessary to be kept and maintained to provide the duties in (4); and
- (6) in the case of a *friendly society* to which this section applies, perform the function of appropriate actuary under section 12 (Reinsurance) of the Friendly Societies Act 1992 or section 23A (Reinsurance) of the Friendly Societies Act 1974 as applicable, in respect of those classes of its *with-profits insurance business* covered by his appointment.

## 6 DUTIES OF ACTUARIES

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- 6.1 An *actuary* appointed under this Part must be objective in performing his duties.
- 6.2 An *actuary* appointed under this Part must take reasonable steps to satisfy himself that he is free from bias, or from any conflict of interest from which bias may reasonably be inferred. He must take appropriate action where this is not the case.
- 6.3 When carrying out his duties, an *actuary* appointed under this chapter must pay due regard to generally accepted actuarial practice.
- 6.4 An *actuary* must notify the *PRA* without delay if the *actuary*:
  - (1) is removed from office by a *firm*;
  - (2) is formally notified of such removal from office;
  - (3) resigns before the term of office expires;
  - (4) is not re-appointed by a *firm*; or
  - (5) is disqualified from being the *actuary* of:
    - (a) any *undertaking* or particular class of *undertaking*; or
    - (b) any *firm* or particular class of *firm*.
- 6.5 In the circumstances set out in 6.4, the *actuary* must notify the *PRA* without delay:
  - (1) of any matter connected with the removal or ceasing of the office of *actuary* that the *actuary* thinks ought to be drawn to the *PRA's* attention; or
  - (2) that there is no such matter.

**7 LLOYD'S**

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7.1 This Part applies to the *Society* and *managing agents* separately.