

Chapter 4

Actuaries

4.2 Purpose

- 4.2.1** **G** Section 340 of the *Act* gives the *PRA* power to make *rules* requiring an *authorised person*, or an *authorised person* falling into a specified class, to appoint an *actuary*. The *PRA* has exercised its power to make such *rules* in *PRA Rulebook: Solvency II firms: Actuaries*; and *PRA Rulebook: Non-Solvency II firms: Actuarial Requirements*. The rule-making powers of the *PRA* and *FCA* under section 340 of the *Act* also extend to an *actuary's* duties.
- 4.2.2** **G** This chapter defines the relationship between *firms* and their *actuaries* and clarifies the role which *actuaries* play in the appropriate regulator's monitoring of *firms'* compliance with the requirements and standards under the *regulatory system*. The chapter sets out *rules* and *guidance* on the appointment of *actuaries*, and the termination of their term of office, as well as setting out their respective rights and duties. The purpose of the chapter is to ensure that:
- (1) *long-term insurers* (other than certain *friendly societies* and *Solvency II firms*) have access to adequate actuarial advice, both in valuing their *liabilities to policyholders* and in exercising discretion affecting the interests of their *with-profits policyholders*; and
 - (2) other *friendly societies* (other than *Solvency II firms*) carrying on *insurance business* (and which have traditionally relied upon actuarial expertise) employ or use an *actuary* of appropriate seniority and experience to evaluate the liabilities of that business; and
 - (3) where *Solvency II firms* appoint, employ or use an *actuary*, certain appropriate safeguards are in place.
- 4.2.3** **G** The functions described by **■ SUP 4.2.2 G (1)** are performed by one or more *actuaries* who are required to hold office continuously and must be *approved persons*. *Solvency II firms* are required to have an actuarial function. *Solvency II firms* are not required to appoint an external actuary to fulfil the actuarial function for the purposes of rule 6 of the *PRA Rulebook: Solvency II firms: Conditions Governing Business*, but they must do so if they do not have the internal capability (see *PRA Rulebook: Solvency II Firms: Actuaries*). Whoever has responsibility for the actuarial function (whether internal or external) will need to be approved by the *PRA* as a Chief Actuary. *Solvency II firms* carrying on *with-profits business* are required to appoint a qualified *with-profits actuary* (whether internal or external). Whoever has responsibility for advising the *governing body* of the firm on the exercise of discretion affecting the *firm's with-profits business* will need to be approved by the *PRA* as a With-Profits Actuary. The principal duty of an *actuary*

appointed to perform these functions is to advise the *firm* (see ■ SUP 4.3.13 R to ■ SUP 4.3.18 G for the rights and duties of such an *actuary*).

4.2.4 G The function described by ■ SUP 4.2.2 G (2) is performed by an *appropriate actuary* who is appointed to prepare the triennial investigation and interim certificate or statement required by IPRU(FSOC) 5.2(1) (see ■ SUP 4.4.6 R and ■ SUP 4.5.12 G to ■ SUP 4.5.14 G for the rights and duties of an *appropriate actuary*).

4.2.5 G *Actuaries* act as a valuable source of information to the *appropriate regulator* in carrying out its functions. For example, in determining whether a *firm* satisfies the *threshold conditions*, the *appropriate regulator* has regard to whether the *firm* has appointed an *actuary* (or some other person with responsibility for the actuarial function required by rule 6 of the PRA Rulebook: Solvency II firms: Conditions Governing Business) with sufficient experience in the areas of business to be conducted by the *firm*.

4.2.6 G In making appointments under this chapter and in allocating duties to *actuaries*, *firms* are reminded of their obligation under ■ SYSC 2.1.1 R or rule 2.2(2) of the PRA Rulebook: Solvency II firms: Conditions Governing Business to maintain a clear and appropriate apportionment of significant responsibilities so that it is clear who has which of those responsibilities and that the business and affairs of the *firm* can be adequately monitored and controlled by the *directors*, relevant *senior managers* and *governing body* of the *firm*.