



Institute
and Faculty
of Actuaries

What's your new role?

Sonia Styles – Grant Thornton UK LLP

Bharat Raj – Grant Thornton UK LLP

21 October 2015

Contents

- Solvency II Recap
- New developments in UK Regulations
 - The PRA's Senior Insurance Manager Regime
 - The FCA's Reformed Approved Persons Regime
- Practising Certificates
- Implementation timetable
- Roundtable
- Discussion

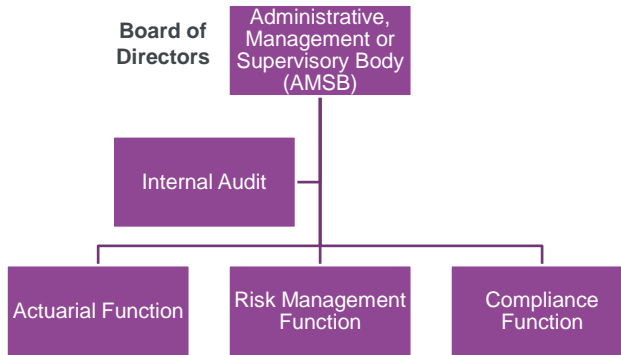
21 October 2015



2

Solvency II Recap

Solvency II System of Governance



Framework:

- Written Policies
 - System of Governance
 - Risk Management
 - Internal Control
 - Remuneration
 - Outsourcing
- Fit & Proper
- Independence / Managing Conflicts of Interest

21 October 2015



3

Changes to UK Regulations

Regulatory framework for individuals at insurers

- A result of two separate but related developments
 - Solvency II implementation
 - Significant changes to banking regulation
- The changes are designed to improve professional standards by increasing accountability and put insurance companies on a similar footing to banks

'The crisis showed that there must be much greater individual responsibility in banking. A buck that does not stop with an individual often stops nowhere.'

Andrew Tyrie MP, Chairman of the Treasury Committee (Source: FT)

21 October 2015



4

Who does it impact?

Firms

- Insurance and reinsurance firms within scope of Solvency II including Lloyd's Managing Agents

Individuals

- Senior insurance managers
- Non Executive Directors – governing NEDs fall within the scope of PRA's SIMR
- Non-governing NEDs are excluded from the SIMR

UK branches of foreign insurers

- Third country branch (TCB) undertakings must have at least one person approved to perform the Third Country Branch Manager function
- PRA proposes to apply the principle of proportionality so that TCBs have more flexibility to combine responsibilities for different functions within a single individual

ISPVs

- ISPVs will be subject to a more limited range of Controlled Functions that will only cover the key individuals in a firm for example the CEO, CFO and Chief Actuary

21 October 2015

5

Changes to UK Regulations No shortage of materials to read ... (1)

Bank of England - Prudential Regulation Authority

Date	Reference	Title
Policy Statements		
Aug 2015	PS22/15	Strengthening individual accountability in insurance: responses to CP26/14, CP7/15 and CP13/15
Aug 2015	PS21/15	The Senior Insurance Managers Regime: a streamlined approach for non-Solvency II firms
Mar 2015	PS3/15	Strengthening individual accountability in banking and insurance – responses to CP14/14 and CP26/14
Supervisory Statements		
Aug 2015	SS35/15	Strengthening individual accountability in insurance
Open Consultation Papers		
Oct 2015	CP36/15	Strengthening accountability in banking and insurance: regulatory references
Aug 2015	CP26/15	Senior Insurance Managers Regime: implementation proposals for non-Solvency II insurance firms
Mar 2015	CP12/15	Senior Insurance Managers Regime: a streamlined approach for non-Solvency II firms
Mar 2015	CP13/15	Changes to the Approved Persons Regime for Solvency II firms
Feb 2015	CP7/15	Approach to non-executive directors in banking and Solvency II firms
Nov 2014	CP26/14	Senior insurance managers regime: a new regulatory framework for individuals

The table above is not an exhaustive list of PRA and FCA materials in relation to conduct regulations. Further Policy Statements, Consultation Papers are also currently in development.

21 October 2015

6

Changes to UK Regulations

No shortage of materials to read ... (2)

Financial Conduct Authority

Date	Reference	Title
Policy Statements		
Aug 2015	PS15/21	Changes to the Approved Persons Regime for Solvency II firms: Final rules (including feedback on CP14/25, CP15/5 and CP15/16)
Consultation Papers		
Aug 2015	CP15/25	Changes to the Approved Persons Regime for insurers not subject to Solvency II: reforms for larger Non-Directive Firms, feedback on CP 15/15, forms, consequential and transitional aspects
Mar 2015	CP15/16	Changes to the Approved Persons Regime for Solvency II firms
Mar 2015	CP15/15	Changes to the Approved Persons Regime for insurers not subject to Solvency II
Feb 2015	CP15/5	Approach to non-executive directors in banking and Solvency II firms & Application of the presumption of responsibility to Senior Managers in banking firms
Nov 2014	CP14/25	Changes to the Approved Persons Regime for Solvency II firms

The table above is not an exhaustive list of PRA and FCA materials in relation to conduct regulations. Further Policy Statements, Consultation Papers are also currently in development.

21 October 2015



7

The PRA's Senior Insurance Managers Regime (SIMR)

The PRA's SIMR proposes the introduction of:

- A set of new Senior Insurance Manager Functions (SIMFs) for individuals who are subject to regulatory approval by the PRA
- A new group of senior persons within insurers known as key function holders

PRA designated SIMFs	SIMR Reference	Applicable to			
		UK incorporated (non-ISPV) firm (UIF)	Insurance Special Purpose Vehicle (ISPV)	Third Country Branch (TCB)	
Chief executive function	SIMF1	✓	✓		
Chief finance function	SIMF2	✓	✓		
Chief risk function	SIMF4	✓			
Head of internal audit	SIMF5	✓			
Group entity senior insurance manager	SIMF7	✓	✓		
Non Executive Directors	Chairman	SIMF9	✓		
	Chair of the risk committee	SIMF10	✓		
	Chair of the audit committee	SIMF11	✓		
	Chair of the remuneration committee	SIMF12	✓		
	Senior independent director	SIMF14	✓		
	Third country branch manager function	SIMF19			✓
	Chief actuary function	SIMF20	✓	✓	
	With-profits actuary function	SIMF21	✓		✓
	Chief underwriting officer function	SIMF22	✓		
	Underwriting risk oversight function	SIMF23	✓		

21 October 2015



8

The FCA's Reformed Approved Persons Regime (RAPR)

- The 'Reformed Approved Persons Regime' (RAPR) will apply to all individuals taking up executive and certain other functions whom the PRA has not otherwise approved.
- These individuals will become FCA Significant Influence Function (SIF) holders, and subject only to the FCA's approval process.

FCA designated SIFs	RAPR Reference	Applicable to		
		UK incorporated (non-ISPV) firm	Insurance Special Purpose Vehicle (ISPV)	Third Country Branch
PRA director	CF1	✓*	✓*	✓
NEDs Chair of the nomination committee	CF7	✓	✓	
Compliance	CF10	✓	✓	✓
CASS operational oversight	CF10a	✓	✓	✓
Money laundering reporting	CF11	✓	✓	✓
PRA systems and controls	CF28		✓*	✓
FCA significant management	CF29	✓*	✓*	✓
Customer function	CF30	✓	✓	✓
Actuarial conduct function	CF51			✓

* Only those who are not otherwise approved by the PRA

21 October 2015



9

Summary of the new PRA and FCA regime

	SIMFs and SIFs	<ul style="list-style-type: none"> • Subject to PRA/FCA pre-approval • Subject to PRA conduct standards and FCA conduct rules • Firm to assess fitness and propriety and make notification to regulators • Regulators can take disciplinary action
	Governing NEDs	<ul style="list-style-type: none"> • Subject to PRA/FCA pre-approval • Subject to PRA conduct standards and FCA conduct rules • Firm to assess fitness and propriety and make notification to regulators • Regulators can take disciplinary action
	Key function holders	<ul style="list-style-type: none"> • Firm to assess fitness and propriety and make notification to regulators • PRA/FCA to supervise assessments on ex-post basis • Onus on firms to ensure individuals observe PRA conduct standards • Regulators can take disciplinary action
	Individuals performing a key function	<ul style="list-style-type: none"> • Individuals who perform a key function but are not the key function holder • Firm to assess fitness and propriety • Onus on firms to ensure individuals observe PRA conduct standards • Regulators can take disciplinary action
	All other staff	<ul style="list-style-type: none"> • Not subject to PRA conduct standards or FCA conduct rules • No fit and proper assessment required • Regulators cannot take disciplinary action

21 October 2015



10

Institute and Faculty of Actuaries

General Insurance actuarial roles for which a practising certificate is required

- The Chief Actuary with accountability for the actuarial function under Article 48 of the Directive on Solvency II
 - Chief Actuary (non-Life with Lloyd's)
 - Chief Actuary (non-Life without Lloyd's)
- Actuaries providing opinions on reserves for Lloyd's syndicates

21 October 2015



11

Institute and Faculty of Actuaries

What do you need to obtain a Non-Life Chief Actuary Practising Certificate

- Experience during the last 10 years demonstrating sufficient breadth in all, or almost all, of the technical areas required by the role:
 - Considering appropriate bases and methodologies for valuing the assets and liabilities of insurers
 - Considering the appropriateness of pricing bases for insurance contracts
 - Considering appropriate reinsurance arrangements for insurers
 - Measuring, managing and mitigating issues and risks to which an insurer is exposed
 - Assessing the requirements for capital for insurers
- Recent deep technical experience in particularly over the last 12 month period
 - Initial applications: during a period of at least 3 out of the last 4 years with at least 3 months in the last 12 months
 - Renewal applications: over the last 12 months in evidence of their continuing to meet the criteria during a period of at least 3 out of the last 4 years

21 October 2015



12

Implementation timetable

- **Solvency II – 1 January 2016**
 - SII Directive takes effect and regulators must be notified of all persons captured by the regime
- **SIMR & RAPR – 7 March 2016**
 - PRA and FCA approvals completed
 - Commencement of Senior Insurance Managers Regime and Reformed Approved Persons Regime
- **IFoA Practising Certificate – 14 October 2015 (for 1 Jan 2016)**
 - Profession's target is to process renewal applications within 21 days and initial applications within 30 days however this is a guideline only and assumes all required information is provided (Practising Certificate Committee does not request additional information)

21 October 2015



13

Roundtable

- Discussion topics
 1. What are the main benefits of the new regime to the insurance industry and the general public?
 2. Who are the main beneficiaries under the new regime?
 3. How effective will these changes be in improving the day-to-day governance of firms and behaviour of firms?
 4. Do the changes limit the ability of firms to recruit and retain good individuals or improve the quality of individuals in key roles?
 5. How does this affect your options and the course of your career in the insurance industry?
 6. Will the changes improve the UK insurance industry's position as a centre of excellence or will they affect the competitiveness of the UK industry in comparison to other global centres?

21 October 2015



14