

## **MICROINSURANCE PRACTISING CERTIFICATE REQUIREMENTS**

### **Authority**

Actuarial Society of South Africa Professional Matters Board

### **Author**

Actuarial Society of South Africa Microinsurance Committee

Please bring any issues with this note to the attention of:

- (a) the Microinsurance Committee Chairperson, and
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### **Status**

Version 1 effective July 2020.

## **1. Background**

Members of the Actuarial Society of South Africa who hold the following “reserved role” must also hold a Microinsurance Practising Certificate (“PC”):

- Head of Actuarial Function of a Microinsurer in South Africa.

Furthermore, it is recommended that members of the Actuarial Society of South Africa who act in the following capacities hold a PC:

- Head of Actuarial Function (or similar) to a microinsurer outside South Africa in a jurisdiction where no local IAA member organisation is present that issues Practising Certificates except where members hold a suitable practising certificate issued by another IAA member organisation;
- Actuaries formally reviewing and reporting on the work of Microinsurance Heads of Actuarial Function (e.g. peer review). Minimal first-time application requirements apply, for the first 24 months from the effective date of this requirements document, for those who currently hold a life assurance or non-life or health insurance Practising Certificate as issued by the Actuarial Society of South Africa or similar body; and
- Actuaries acting in another statutory capacity related to microinsurance (e.g. in the case of transfer of business).

PCs demonstrate that the actuaries who hold them are in good standing based on the Actuarial Society's Code of Professional Conduct and have the necessary technical skills and experience to be a PC holder and potentially to carry out reserved work, thereby protecting the public interest.

The Code of Professional Conduct requires that members perform only those professional services for which the member is competent and appropriately experienced. Furthermore, it requires that members act honestly, with integrity, competence, and due care, and in a manner that fulfils the profession's responsibility to the public.

A public register of PC holders is maintained by the profession.

Microinsurance PCs are issued by the Actuarial Society on recommendation by the Microinsurance Committee ("MIC") of the Actuarial Society.

The MIC may issue two categories of PCs:

1. A Generic Microinsurance PC encompassing all the competency and professionalism requirements but without a requirement to conform to South-African specific legislation, intended for members practising outside South Africa; and
2. A South African Microinsurance PC including all the requirements of a Generic Microinsurance PC as well as the requirement to be in command of South-African specific legislation.

The purpose of the Generic PC is to ensure competence of Actuarial Society members practising outside South Africa and not to replace or override any local certification requirements in the territories in which actuaries practise. Furthermore, a PC does not, in itself, give members authority to act in a reserved role where appointment in that reserved role is also subject to regulatory and/or board approval.

The MIC may only issue South African Microinsurance PCs to members employed by Registered Service Providers (RSP), or who are registered as RSP's themselves.

The PC is valid for four years.

## **2. Summary of Requirements for First Time Applicants**

To be awarded a PC the MIC must satisfy itself that the applicant:

1. Is either:
  - a. Fellow of the Actuarial Society of South Africa who qualified by examination or has been admitted under the terms of a mutual recognition agreement with another actuarial organisation; or

- b. an Associate Member of the Actuarial Society of South Africa who qualified by examination or has been admitted under the terms of a mutual recognition agreement with another actuarial organisation AND has passed one of:
  - i. F101: Health and Care Principles;
  - ii. F102: Life Insurance Principles;
  - iii. F103: General Insurance Principles
2. Has not been found guilty of unprofessional conduct;
3. Has not been removed by any financial services regulator as not being fit and proper to act in another approved statutory role;
4. Has appropriate experience and expertise, as outlined in section 3 below;
5. Has complied with the Actuarial Society's CPD scheme for each of the last five years. Records for the last three years should be included with the application; and
6. For applications on the outcomes-based CPD scheme, a supporting statement by the applicant's diffraction partner or reviewer as set out below and in Appendix C is required.

The Microinsurance Committee (or a subcommittee thereof) should assess the application and if it approves it, request the Actuarial Society office to issue a Practising Certificate, including possible qualifications.

### **Compliance with the Actuarial Society's CPD scheme**

The Society permits both an hours-based and outcomes-based approach to CPD.

#### ***Hours-based CPD***

The hours-based approach will be accepted for all periods for which the Actuarial Society continues to allow this CPD approach. In this case, records of verifiable and development hours should be provided for the relevant periods. For hours-based CPD, the applicant should also include a comment explaining the relevance of the CPD experience and what he/she has done to maintain and develop relevant skills for the role of the Head of Actuarial Function (or equivalent for Generic Practising Certificates).

#### ***Outcomes-based CPD***

The outcomes-based approach will be accepted. However, the additional requirements listed below should be noted.

For existing practising certificate holders, the diffraction partner must be a Fellow of the Actuarial Society of South Africa and a Life or Non-Life or Health Practising Certificate holder. The person should have sufficient experience and be able to

assess whether development plans are appropriate and relevant to the work of the Head of Actuarial Function.

Where a new applicant has not used another Practising Certificate holder as a diffraction partner for the required three years, the plans for the past three years can be discussed with a suitable member of the Actuarial Society (that is a Practising Certificate Holder) in sufficient detail to allow the member to attest to the effectiveness of the Outcomes Based CPD. The member may also want to have a separate discussion with the original diffraction partner(s) of the applicant.

The required statements by the diffraction partner and reviewers are included in Appendix C.

### 3. Assessing Appropriate Experience and Expertise

The MIC assesses experience and expertise by considering:

1. Basic experience requirements;
2. Responses to questions provided by the applicant; and
3. Responses to questions provided by another member of the profession and PC holder in support of the application.

To fulfil the basic experience requirements a member must have

Years of Experience	AMASSA+F10x	5 years relevant* working experience of which 3 years post qualification experience, working with a Head of Actuarial Function or equivalent for a Life Insurer, Non-Life or Health Insurer or Microinsurer
	FASSA	5 years relevant* working experience of which 1 year post qualification experience, working with a Head of Actuarial Function or equivalent for a Life Insurer, Non-Life or Health Insurer or Microinsurer

At least one year relevant\* working experience (obtained in the last three years) in the Republic of South Africa in the case of a South African PC.

\*“Relevant work” refers to the work that a Head of Actuarial Function or equivalent needs to perform for a Microinsurer in terms of the Insurance Act and GOM 1 (in the case of a South African PC) or similar act (in the case of a generic PC). Similar experience in respect of a life insurer or non-life insurer or health insurer will likely also be relevant.

It is difficult to assess whether an applicant has appropriate experience and expertise by reviewing a written application. Consequently, it is important that

applicants motivate their answers thoroughly. The MIC may also request further evidence in support of claims if this is deemed necessary.

The questions to which applicants are required to respond are listed in Appendix A.

Furthermore, the MIC places heavy reliance on the opinions provided by another PC holder with whom the applicant has worked for a period of at least three years. Where an applicant applies for a South African PC, the application needs to be supported by another South African PC holder (life insurance, non-life, health insurance or Microinsurance). Members that act in this capacity are reminded that they have a professional duty to ensure that the applicant has the appropriate experience and expertise to act as Head of Actuarial Function or equivalent before they can support their application. The Head of Actuarial Function or equivalent with whom the applicant has worked, must attest in writing that in his or her opinion the applicant has the necessary knowledge, skills and experience to carry out the duties of a Head of Actuarial Function.

The questions to which the member providing the attestation should respond are listed in Appendix B.

#### **4. Requirements for PC renewal**

A practising certificate needs to be renewed when a previously issued practising certificate reaches its expiry date.

To renew a PC the MIC must satisfy itself that the applicant:

1. Is either:
  - a. a Fellow of Actuarial Society of South Africa who qualified by examination or has been admitted under the terms of a mutual recognition agreement with another actuarial organisation; or
  - b. an Associate Member of the Actuarial Society of South Africa who qualified by examination or has been admitted under the terms of a mutual recognition agreement with another actuarial organisation AND has passed one of:
    - i. F101: Health and Care Principles;
    - ii. F102: Life Insurance Principles;
    - iii. F103: General Insurance Principles
2. Has Complied with the Actuarial Society's Continuous Professional Development (CPD) scheme for each of the years since the issue of the previous practising certificate. Records for the last three years should be included with the application. The applicant should also demonstrate the relevance of the CPD activities to maintaining appropriate skills to practice as a Head of Actuarial Function or equivalent;
3. Has not been found guilty of unprofessional conduct;
4. Has not been removed by any financial services regulator as not being fit and proper to act in another approved statutory role; and

5. Has appropriate recent microinsurance experience and expertise.

The applicant must demonstrate continued experience of working at the level of a Head of Actuarial Function or equivalent. This requirement may be met by, for example:

1. Signing off the statutory returns submitted to the Prudential Authority (in the case of a South African PC) or other regulator (in the case of a generic PC) for at least one registered microinsurer for at least two years during the previous approved period; or
2. Attestation in writing from a Head of Actuarial Function or equivalent, with whom the applicant has worked closely, that in his or her opinion the applicant has the necessary knowledge, skills and experience to carry out the duties of a Head of Actuarial Function; or
3. Other evidence that the Microinsurance Committee in its sole discretion may deem acceptable.

In some cases, Practising Certificate holders may have continued in their role of supporting the Head of Actuarial Function or equivalent (on which reliance was placed in the original first-time application) and may therefore not have had an opportunity to sign off statutory returns. If this is true for at least three of the four preceding years, no further evidence is typically required other than a statement to this effect by the applicant. The Microinsurance Committee may request further information if it is deemed necessary.

The Microinsurance Committee (or a subcommittee thereof) should assess the application for renewal and if it approves it, request the Actuarial Society office to issue a Practising Certificate.

## **5. Appeals Process**

A Fellow or Associate member who has had their application (initial or renewal) for a PC turned down by the MIC has the right to take the matter to appeal.

It is hoped that the member can in the first instance find reason to accept the MIC's decision, after providing all information requested by the MIC, or provide further evidence that enables the MIC to approve the application. The MIC will provide written reasons for the refusal of every application.

Before entering the appeals process the applicant may first wish to speak with either the Chair or the Secretary of the MIC to better understand the reasons why the

application was turned down. If the applicant believes that there are grounds for appeal then he/she should contact the Chair of the Professional Matters Board in writing within 30 days from the date the application was turned down to enact the profession's appeals process. A body will be formed to hear the appeal within the terms of the PC Scheme independent of the MIC, with no overlap of membership with the MIC.

## APPENDIX A: FIRST TIME APPLICANT QUESTIONS

The applicant should indicate whether he or she had exposure to the following areas of work relevant to Microinsurance (either taking responsibility for producing the work or reviewing other actuaries' work) and describe the work done in support of the answer:

1. Calculating or reviewing the prudential Technical Provisions and the Minimum Capital Requirement.
2. Assessing or advising on the financial soundness of a microinsurer at a specific date and in the foreseeable future, including the impact of shareholder distributions.
3. Determining or reviewing the sufficiency and quality of data used, and the appropriate bases and methodologies used in actuarial calculations.
4. Analysing the risks to which a microinsurer is exposed.
5. Advising on the measurement, management and mitigation of such risks.
6. Advising on appropriate reinsurance arrangements.
7. Analysing the asset liability matching requirements and advising on investment strategy.
8. Advising on the appropriate pricing basis for actuarial soundness of Microinsurance contracts.
9. Advising on the fair treatment of policyholders, including compliance with, and recommending changes to, the Principles and Practices of Financial Management.
10. Preparing of or advising on the actuarial-related matters in the ORSA such as the economic capital requirements, the forward looking projections of the economic and regulatory financial soundness positions, the stress-, sensitivity- and scenario testing, and the assumed management actions.
11. Reviewing and expressing an opinion on the policies for which the Head of Actuarial Function is required to do so by the Prudential Standards for Microinsurers.
12. Reporting on the results of his or her work or the work of other actuaries and advising technical audiences, non-technical audiences, and senior management (including the Board, Audit, Risk, Actuarial or similar committees).
13. Preparing or reviewing annual quantitative returns to the Prudential Authority.
14. Any other areas of work that he or she believes could be relevant to their application (for example, embedded value reporting, IFRS17, etc.).

Microinsurance actuaries are involved in many aspects of the underlying business. The applicant should demonstrate on the application form that they have gained recent experience in a number of these relevant areas during a period of at least 3 out of the last 5 years.

It is important to include in the application form:



1. description of the role(s) the applicant undertook (for example overseeing the whole statutory valuation and producing the Board report vs undertaking the calculation of a component to feed into an overall valuation report).
2. the responsibilities of the role(s) undertaken (especially to outline the work for which the applicant was directly responsible and the communication thereof).
3. any regulatory/statutory role undertaken and/or direct interaction with the Prudential Authority, Financial Services Conduct Authority or other regulators.

The MIC is looking for breadth/variety of experience in the application of advice in the relevant technical areas as well as depth of technical knowledge.

Experience can be provided as an actuary internal to the company/its Microinsurance business or as an external consultant. It is sufficient for the applicant to demonstrate their role in drawing up and communicating the advice in support of another Head of Actuarial Function or equivalent.

### **Generic and South African PC requirements**

In addition to the responses above all applicants are required to certify that:

1. They have the necessary knowledge, skills, and experience to carry out the professional duties required of a Head of Actuarial Function.
2. They have read and understand the Code of Professional Conduct.
3. They have read and understand the Actuarial Society of South Africa advisory practice notes and standards of actuarial practice relating to Microinsurance.
4. They are fully aware of the obligations and duties of a Head of Actuarial Function.
5. They are employed by a Registered Service Provider (RSP), or are registered as an RSP themselves.
6. They have sufficient time and resources to act in the roles for which the PC will be used.

For Generic PCs

They have read and understand local legislation in the territories in which they intend to practise.

For South African PCs

They have read and understand the applicable regulatory requirements such as the Insurance Act, Prudential Standards, other relevant Acts, and regulations.

## **APPENDIX B: SUPPORTING PC HOLDER QUESTIONS**

The supporting PC holder should indicate whether, in his or her opinion, the applicant has had appropriate exposure to the areas of work listed in Appendix A (either taking responsibility for producing the work or reviewing other actuaries' work) and describe the work they have done while working closely with you.

## **APPENDIX C: OUTCOMES-BASED CPD: STATEMENT BY DIFFRACTION PARTNER AND REVIEWER**

### **Statement by diffraction partner**

I hold a current Microinsurance/Life/Non-Life/Health Practising Certificate [delete where applicable] and confirm that I am familiar with the responsibilities of the Head of Actuarial Function of a Microinsurer as well as the content of APN 106/403 applicable to Microinsurers. I have acted as the diffraction partner for [Applicant name] from [date] to [date] and can confirm that:

- He/she has been fully compliant with the requirements of the Outcomes Based CPD programme.
- For at least the past three years<sup>1</sup>, the content of the Outcomes Based CPD programme contained a significant amount of content that is relevant to role of the Head of Actuarial Function of a Microinsurer as described in APN 106/403.
- Future development plans contain a significant amount of content that is relevant to the role of the Head of Actuarial Function of a Microinsurer as described in APN 106/403.

### **Statement by reviewer (if required)**

I hold a current Microinsurance/Life/Non-Life/Health Practising Certificate [delete where applicable] and confirm that I am familiar with the responsibilities of the Head of Actuarial Function of a Microinsurer as well as the content of APN 106/403 applicable to Microinsurers. While I have not acted as the diffraction partner for [Applicant name] I have discussed [Applicant's name] plans of the past three years as well as future development areas and can confirm that:

- He/she has been fully compliant with the requirements of the Outcomes Based CPD programme.
- For at least the past three years<sup>1</sup>, the content of the Outcomes Based CPD programme contained a significant amount of content that is specifically relevant to role of the Head of Actuarial Function of a Microinsurer as described in APN 106/403.
- Future development plans contain a significant amount of content that is specifically relevant to role of the Head of Actuarial Function of a Microinsurer as described in APN 106/403.

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<sup>1</sup> Or period for which certification is given during the transition period to Outcomes-based CPD