

## **LIFE ASSURANCE PRACTISING CERTIFICATE REQUIREMENTS**

### **Authority**

Actuarial Society of South Africa Professional Matters Board

### **Author**

Actuarial Society of South Africa Life Assurance Committee

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

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

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## **1. Background**

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

- Head of the Actuarial Function of a Life Insurer 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:

- Statutory Actuary (or similar) to a Life Insurer 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 work of Heads of Actuarial Functions and Statutory Actuaries (e.g. peer review); and
- Actuaries acting in another statutory capacity where required (e.g. in the case of transfer of business).

PCs demonstrate that the actuaries who hold them are fit and proper and have the necessary 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.

Life Assurance PCs are issued by the Actuarial Society on recommendation by the Life Assurance Committee ("LAC") of the Actuarial Society.

The LAC may issue two categories of PCs:

1. A Generic Life 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 Life PC including all the requirements of a Generic Life 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 as Head of Actuarial Functions or equivalent where appointment is also subject to regulatory and/or board approval.

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

The PC is valid for four years.

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

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

1. Is 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;
2. Has passed Life Insurance Principles (F102) or similar subject of another actuarial organisation if they have qualified after 1 January 2014. This requirement may be waived by the LAC if the member has gained significant experience in life insurance in excess of the minimum requirements and can demonstrate that they have acquired the necessary knowledge;
3. Complies with the Actuarial Society's Continuous Professional Development (CPD) scheme for each of the last five years. Records for the last three years should be included with the application;
4. Has not been found guilty of unprofessional conduct;

5. Has not been removed by any financial services regulator as not being fit and proper to act in another approved statutory role; and
6. Has appropriate life insurance experience and expertise. (This would be demonstrated in part by the applicant's responses to the questions in Appendix A and also by the attestation of the member's skills and experience by another practicing certificate holder with whom the member has worked for at least 3 years.)

If an applicant does not fully meet the experience requirements in the opinion of the LAC, a qualified certificate may be issued.

The Life Assurance 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 the Actuarial Function (or equivalent for Generic Practising Certificates).

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

The outcomes-based approach will be accepted from 2020. 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 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 the 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 D.

## Assessing Appropriate Experience and Expertise

The LAC 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

1. At least five years' work experience, of which:
  - a. at least three years must be post-qualification as a fellow member of a professional actuarial body;
  - b. at least three years must have been spent doing relevant life insurance work, working with a Head of the Actuarial Function or equivalent. (Working with a Head of Actuarial Function or equivalent includes assisting in producing and reviewing valuation results, produce or review of product design and pricing, making/reviewing bonus recommendations, being involved in producing or reviewing the valuation report to the Board, etc.); and
  - c. at least three years of the experience must fall within the last five years prior to the issue of the certificate.
2. 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 life insurance work” refers to the work that a Head of Actuarial Function or equivalent needs to perform in terms of the Insurance Act (in the case of a South African PC) or similar act (in the case of a generic PC), for example determining the value of reserves and capital requirements based on the statutory valuation method.

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 LAC 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 LAC 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. Members that act in this capacity are reminded that they have a professional duty to ensure that the applicants have the appropriate experience and expertise to act as Head of the Actuarial Function or equivalent before they can support their application. The Head of the 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 the Actuarial Function or equivalent for the types of business specified.

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

### **Requirements for PC renewal**

A practising certificate needs to be renewed when a previously issued practising certificate reaches its expiry date and/or if the past working experience of the actuary needs to be updated (for instance if the actuary now has experience in additional types of business).

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

1. Is 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;
2. Complies 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 the 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 life insurance experience and expertise.

The applicant must demonstrate continued experience of working at the level of a Head of the 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 insurer for at least two years during the previous approved period; or
2. Attestation in writing from another Head of the 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 the Actuarial Function or equivalent for the types of business specified; or

3. Other evidence that the Life Assurance 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 the 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 Life Assurance Committee may request further information if it is deemed necessary.

If an applicant no longer fully meets the experience requirements in the opinion of the LAC, a qualified certificate may be issued.

If a qualified certificate was issued previously, the Life Assurance Committee (or a subcommittee thereof) should decide whether the qualification could be removed (or changed), after scrutinising the necessary evidence, on application by the applicant. If the past work experience of the actuary needs to be updated in support of an unqualified certificate, another PC holder 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 the Head of the Actuarial Function or equivalent for the additional type(s) of business.

The Life Assurance 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, including possible qualifications.

## **Appeals Process**

A Fellow who has had their application (initial or renewal) for a PC turned down by the LAC 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 LAC's decision, after providing all information requested by the LAC, or provide further evidence that enables the LAC to approve the application. The LAC 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 LAC 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 LAC, with no overlap of membership with the LAC.



## APPENDIX A: FIRST TIME APPLICANT QUESTIONS

The applicant should indicate whether he or she had exposure to the following areas of work (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, Minimum Capital Requirement, and Solvency Capital Requirement (or equivalent in other jurisdictions).
2. Assessing or advising on the financial soundness of an insurer 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 life insurer 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 life insurance contracts, including options
9. Analysing appropriate ways of determining bonus distribution policy and of achieving equity between different groups of with-profits policyholders.
10. Advising on the fair treatment of policyholders, including compliance with, and recommending changes to, the Principles and Practices of Financial Management.
11. 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.
12. Reviewing and expressing an opinion on the policies for which the Head of the Actuarial Function is required to do so by the Prudential Standards for Insurers.
13. 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 and similar committees).
14. Preparing or reviewing annual quantitative returns to the Prudential Authority
15. Any other areas of work that he or she believes could be relevant to your application (for example, embedded value reporting, IFRS17 etc.).

Life Insurance 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 on 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. description of the types/classes/volumes of business covered.
4. any regulatory/statutory role undertaken and/or direct interaction with the Prudential Authority, Financial Services Conduct Authority or other regulators.

The LAC 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 life 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 the 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 life assurance.
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: PRACTICING CERTIFICATE QUALIFICATIONS**

Where the applicant is applying for a new practising certificate that will be subject to qualification, the applicant is requested to indicate the nature of qualification that would be preferable. However, qualifications are considered on a case by case basis and the Life Assurance Committee may consider a different qualification to be more appropriate. Examples of typical qualifications are listed below:

- Risk business only
- Excludes business with investment guarantees
- Excludes business with discretionary participation features
- Linked insurance business only
- Reinsurance business only

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

### **Statement by diffraction partner**

I hold a current Life Practising Certificate and confirm that I am familiar with the responsibilities of the Head of the Actuarial Function as well as the content of APN 106/403. 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 the role of the Head of the Actuarial Function 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 the Actuarial Function as described in APN 106/403.

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

I hold a current Life Practising Certificate and confirm that I am familiar with the responsibilities of the Head of the Actuarial Function as well as the content of APN 106/403. 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 the Actuarial Function 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 the Actuarial Function 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