

## **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**

Version 1 Effective from January 2010

Version 2 Effective from December 2010

Version 3 Effective from January 2013

Version 4 Effective from January 2014

Version 5 Effective from April 2018

## **1. Background**

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

- Statutory Actuary to 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 Statutory Actuaries (e.g. peer review); and
- Actuaries acting in another statutory capacity (e.g. in the case of transfer of business under Section 37 of Long-Term Insurance Act).

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 statutory actuaries where appointment as statutory actuary 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. A minimum of 10 hours verifiable CPD (each year) must be in the Life Insurance practice area. 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;
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.

### **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
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 statutory actuary. (Working with a statutory actuary 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 statutory actuary needs to perform in terms of the Long-term Insurance Act (Act 52 of 1998) (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 accordingly. 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 statutory actuaries before they can support their application. The statutory actuary (or actuaries) 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 statutory actuary 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 year since the issue of the previous practising certificate. A minimum of 10 hours verifiable CPD (each year) must be in the Life Insurance practice area. Records for the last two 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 statutory actuary;
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;
5. Still has appropriate life insurance experience and expertise.

The applicant must demonstrate continued experience of working at the level of a statutory actuary. This requirement may be met by, for example:

1. Signing off the statutory returns submitted to the Financial Services Board (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 statutory actuary, 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 statutory actuary 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 statutory actuary (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 a statutory actuary 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

Please indicate whether you have had exposure to the following areas of work (either taking responsibility for producing the work or reviewing other actuaries' work) and describe the work you have done in support of your answer:

1. Analysing the risks to which a life insurer is exposed
2. Advising on the measurement, management and mitigation of such risks
3. Advising on the appropriate pricing basis for long-term insurance contracts, including options
4. Determining the requirements for capital and a fair return on the capital employed
5. Calculating the Statutory Capital Requirements and assessing the financial soundness of an insurer at a specific date and in the foreseeable future
6. Assessing the embedded value of the business
7. Determining the appropriate bases and methodologies for valuing the assets and liabilities
8. Determining appropriate reinsurance arrangements
9. Analysing the asset liability matching requirements and advising on investment strategy
10. Analysing appropriate ways of determining bonus distribution policy and of achieving equity between different groups of with-profits policyholders
11. Advising on the fair treatment of policyholders and compliance with and recommending changes to the PPFM
12. Determining bases for calculating surrender values and the terms for other policy alterations
13. Reporting on the results of your work or the work of other actuaries to technical audiences, non-technical audiences and senior management (including the Board, Audit, Risk, Actuarial and similar committees)

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 FSB or other regulator

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 Statutory Actuary.

### **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 statutory actuary.
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 statutory actuary. They are employed by a Registered Service Provider (RSP), or are registered as an RSP themselves.
5. They have sufficient time and resources to act in the reserved roles for which the PC will be used.

For Generic PCs

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

For South African PCs

1. They have read and understand the applicable regulatory requirements such as the Long-Term Insurance Act, other relevant acts, regulations and FSB directives.

## APPENDIX B: SUPPORTING PC HOLDER QUESTIONS

Please indicate whether, in your opinion, the applicant has had exposure to the following areas of work (either taking responsibility for producing the work or reviewing other actuaries' work) and describe the work they have done while working closely with you:

1. Analysing the risks to which a life insurer is exposed
2. Advising on the measurement, management and mitigation of such risks
3. Advising on the appropriate pricing basis for long-term insurance contracts, including options
4. Determining the requirements for capital and a fair return on the capital employed
5. Calculating the Statutory Capital Requirements and assessing the financial soundness of an insurer at a specific date and in the foreseeable future
6. Assessing the embedded value of the business
7. Determining the appropriate bases and methodologies for valuing the assets and liabilities
8. Determining appropriate reinsurance arrangements
9. Analysing the asset liability matching requirements and advising on investment strategy
10. Analysing appropriate ways of determining bonus distribution policy and of achieving equity between different groups of with-profits policyholders
11. Advising on the fair treatment of policyholders and compliance with and recommending changes to the PPFM
12. Determining bases for calculating surrender values and the terms for other policy alterations
13. Reporting on the results of his/her work or the work of other actuaries to technical audiences, non-technical audiences and senior management (including the Board, Audit, Risk, Actuarial and similar committees)

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 FSB or other regulator

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.

For a South African PC application the supporting PC holder is requested to attest that, in his opinion, the applicant has sufficient knowledge of South African legislation.

