

## **SHORT-TERM INSURANCE PRACTISING CERTIFICATE REQUIREMENTS**

### **Authority**

Actuarial Society of South Africa Professional Matters Board

### **Author**

Actuarial Society of South Africa Short-term Insurance Committee

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

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### **Status**

Version 1 under outcomes-based CPD

## **1. Background**

Members of the Actuarial Society of South Africa who hold a “reserved role” as Head of Actuarial Function (HAF) must hold a Practising Certificate (“PC”). This can be in respect of a Short-term Insurer or Insurance Group or in relation to the Short-term insurance business of a reinsurer, as defined by relevant legislation

Relevant legislation refers to the Insurance Act, 2017, Short-term Insurance Act, 1998, Financial Sector Regulation Act, 2017 and related regulations and prudential standards.

The requirement for a PC will be in full effect from 1 April 2020. Prior to that date, the HAF may hold a PC or a “transitional PC”, which has lighter qualification criteria. The requirements for the transitional PC will be published on ASSA's website during 2018.

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

- Statutory/Appointed Actuary (or similar) to a Short-term 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; and

- Actuaries formally reviewing and reporting on work of a HAF or Statutory/Appointed Actuaries (e.g. peer review) or appointed to fulfil specific regulatory tasks.
- Actuaries who are required to provide formal assurance of internal models as part of the regulator's internal model approval process (IMAP). However, an actuary who accepts an IMAP-related role should ensure they have the appropriate experience particularly in reserving and building internal models.

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.

Short-term Insurance PCs are issued by the Actuarial Society on recommendation by the Short-term Insurance Committee ("STIC") of the Actuarial Society.

The STIC may only issue Short-term Insurance PCs to members employed by Registered Service Providers (RSP's), 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 STIC 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 General Insurance Applications (F203) and /or Principles (F103) or similar subject of another actuarial organisation if they have qualified after 1 January 2014. This requirement may be waived by the STIC if the member has gained significant experience in short-term 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 (time and/or outcomes based, as required) for each of the last five years. A minimum of 10 hours verifiable CPD (each year) must be in the short-term insurance practice area and motivation should be included as to the relevance of the outcome of the CPD to the actuary's areas of practice.

CPD declarations and well as 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 short-term 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 supporting PC holder (or another suitably qualified actuary) with whom the member has worked for at least 3 years. Another suitably qualified actuary is defined as a Fellow of ASSA who has a valid Short-term Insurance PC, or a Fellow of ASSA who has regularly undertaken short-term insurance actuarial work of a similar level of complexity and responsibility (preferably in a statutory context). Hereafter in this document, the term "supporting PC holder" will be used to define the supporting PC holder or another suitably qualified actuary who supports the application. If the applicant has not worked with a single supporting PC holder for a period of three years, then the attestation may be provided by more than one supporting PC holder.

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

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

### **Assessing Appropriate Experience and Expertise**

The STIC 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 short-term insurance work, working with a supporting PC holder, including assisting in producing and reviewing a breadth and depth of actuarial work related to for example, adequacy of reserves, economic capital, internal models, reinsurance arrangements, pricing, underwriting and other regulatory actuarial work, and being involved in producing or reviewing formal reports to the Board and/or regulators, 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. The five years' work experience should include substantial work on (re)insurers registered in South Africa.

It is sometimes 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 STIC 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 STIC places heavy reliance on the opinions provided by another supporting PC holder with whom the applicant has worked for a period of at least three years. 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 HAF's before they can support their application. The supporting PC holder 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 HAF for the types of business specified.

The questions to which the supporting PC holder should respond are listed in Appendix B.

### **Requirements for PC renewal**

A PC needs to be renewed when a previously issued PC 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).

The renewal application must be submitted to the Actuarial Society at least three months before expiry of the current PC.

To renew a PC the STIC 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 (time and/or outcomes based, as required) for each of the years since the issue of the previous practising certificate. A minimum of 10 hours verifiable CPD (each year) must be in the short-term insurance practice area. Records for the last three years should be included with the application and the applicant should also demonstrate the relevance of the CPD activities to maintaining appropriate skills to practice as a HAF;
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 retained appropriate short-term insurance experience and expertise (as set out in Appendix A).

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

1. Signing off statutory returns submitted to the regulator for at least one registered (re)insurer for at least two years during the previous approved period; or
2. Attestation in writing from a supporting PC holder, 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 HAF for the types of business specified; or
3. Other evidence that the STIC in its sole discretion may deem acceptable.

In some cases, PC holders may have continued in their role of supporting the HAF (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 STIC may request further information if it is deemed necessary.

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

If a qualified certificate was issued previously, the STIC (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, a supporting PC holder 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 HAF for the additional type(s) of business.

The STIC (or a subcommittee thereof) should assess the application for renewal and if it approves it, request the Actuarial Society office to issue a PC, including possible qualifications.

## **Appeals Process**

A Fellow who has had their application (initial or renewal) for a PC turned down by the STIC 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 STIC's decision, after providing all information requested by the STIC, or provide further

evidence that enables the STIC to approve the application. The STIC 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 STIC 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 STIC, with no overlap of membership with the STIC.

### **Changeover arrangements from Old to New PC regime**

STIC PC's issued prior to the date of this guidance will be valid in their existing form until expiry of their four -year term.

On application for renewal, the criteria per this document will be applied to determine whether a new certificate will be granted, and if so, the classification of that certificate. PC holders may apply for early renewal if required. PC holders who decide not to apply for early renewal should exercise full discretion and disclosure to ensure that their certificates are appropriate for the roles and responsibilities they assume.

## **APPENDIX A: FIRST TIME APPLICANT QUESTIONS**

### **(The questions will also provide a guide for certificate renewals)**

Please indicate whether you have had exposure to the following sample areas of short-term insurance 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, in order to provide insight into your ability to fulfil the requirements of a HAF as set out in the various prudential) and financial soundness standards issued by the regulator (GOI 3 in particular):

#### Section A: Technical

The list of technical areas below is non-exhaustive and is no particular order.

1. Calculating or reviewing technical provisions
2. Calculating or reviewing the Solvency Capital Requirement using the standardised formula
3. Building or reviewing an internal economic model
4. Assessing the financial position of an insurer and advising on dividends
5. Developing, implementing or reviewing risk policies related to underwriting, asset liability management or reinsurance.
6. Determining or reviewing appropriate reinsurance and risk transfer arrangements
7. Deriving the actuarial-related elements of the Own Risk and Solvency Assessment, such as economic capital requirements, the forward-looking projections of the economic and regulatory financial soundness positions, the stress-sensitivity- and scenario testing and assumed management actions
8. Advising on or implementing an appropriate pricing and underwriting basis and methodology for short-term insurance contracts, including data collection and governance
9. assessing the financial soundness of an (re) insurer at a specific date and in the foreseeable future
10. Determining and implementing the appropriate bases and methodologies for valuing the assets and technical liabilities and related risk margins
11. Determining appropriate reinsurance and risk transfer arrangements to achieve the strategic capital adequacy, earnings volatility and other objectives
12. 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)

Short-term 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.

The STIC is looking for breadth/variety of experience in the application of advice in the relevant technical areas as well as depth of technical knowledge, including breadth in types/classes/volumes of (re)insurance business covered.

## Section B: Advice, Oversight & Assurance

Apart from assessing the technical skills and experience, the STIC is also concerned with the actuary's experience in advising the most senior stakeholders of an (re)insurer and providing them with the levels of assurance expected of an actuary in regulatory and advisory capacities. These include (but are not limited to) the following capacities:

1. Analysing the risks to which a short-term insurer is exposed and advising on the measurement, management and mitigation of such risks, including designing policies and procedures to address those risks in Underwriting and Pricing, Liquidity, Credit and Counterparty, Asset Liability Matching, Investment Management and other core insurance processes, including the risk related to actuarial models
2. Advising on the fair treatment of policyholders and compliance with regulatory conduct requirements, specifically in relation to product pricing, underwriting and product design
3. Oversight over the relevant components of the Own Risk and Solvency Assessment and the preparation of the resulting report, including seeking approval by the board and sign-off for submission to the regulator
4. Analysing the asset liability management requirements and advising on investment policy
5. Advising the senior management, board and regulators on the nature, need, relevance, significance and, application of the outcome, of work undertaken by the internal actuarial function, or external actuaries, including the HAF.
6. Setting standards for, and providing oversight over, internal actuarial practice and providing related assurance to the management, board and regulators.

## Section C: Personal Responsibility

The STIC is also concerned with level of personal responsibility taken by the actuary. Thus, it is important to include on the application form:

1. descriptions of the role(s) the applicant undertook (for example overseeing the whole actuarial valuation of insurance liabilities and producing the Board report versus undertaking the calculation of a component to feed into an overall report vs undertaking a review of the work)
2. the exact personal responsibilities of the role(s) undertaken, especially to outline the work for which the applicant was directly and personally responsible (including the communication thereof), e.g. where the actuary was solely responsible, a joint or co-signatory, or where the actuary was primarily responsible, or where the actuary supported another actuary
3. any regulatory/statutory role undertaken and/or direct interaction with regulators
4. the level of seniority of the forums to which the actuary reported, e.g. senior management forums, board of directors and board committees, regulators, other statutory bodies and whether the actuary personally presented the work or merely

provided a report tabled without the actuary present, or presented by another person.

Experience can be provided as an actuary internal to the company/its short-term business or as an external consultant.

### **Additional 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 HAF.
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 short-term insurance.
4. They are fully aware of the obligations and duties of a HAF
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 reserved roles for which the PC will be used.
7. They have read and understand the applicable regulatory requirements such as the Short-term Insurance Act, Insurance Act, other relevant acts, regulations, prudential (financial soundness and governance) standards and regulatory directives.

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

Please indicate whether, in your opinion, the applicant has had exposure to the areas of work as set out 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, in order to provide insight into their ability to fulfil the requirements of a HAF as set out in the various prudential and financial soundness standards issued by the regulator (GOI 3 in particular).

It is important to include on the application form:

1. Description of the role(s) the applicant undertook (for example overseeing the whole actuarial valuation of insurance liabilities and producing the Board report vs undertaking the calculation of a component to feed into an overall 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 (re)insurance business covered
4. Any regulatory/statutory role undertaken and/or direct interaction with regulators

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

The supporting PC holder is requested to attest that, in his or her opinion, the applicant has sufficient knowledge of South African legislation.