ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

Update on Professional Guidance, Role of the Head of Actuarial Function, Practising Certificates

Lisa Pines, Jaco vd Merwe

September 2018

Content

- Overview of ASSA STIC Professional Guidance Committee
- Practising Certificates
- APN 403 /106 - Head of Actuarial Function
- APN 401 – Technical provisions
- APN 402 – Standards for Non-life actuaries
- Discussion

ASSA STIC: Professional Guidance Subcommittee

ASSA Practice Area Committees > STIC > PG

1. BANKING
2. DAMAGES
3. HEALTHCARE
4. INVESTMENTS
5. LIFE ASSURANCE
6. MICRO-INSURANCE
7. RETIREMENT MATTERS
8. **SHORT-TERM INSURANCE**

General:
Chairman
Secretary
Actuarial Society Office

Subcommittees:
1. CPD
2. Research
3. Education
4. Legislation
5. **IFRS17 (ad hoc)**
6. Communication
7. Emerging Matters
8. **Professional Guidance**

Representatives:
1. SAIA
2. SAICA
3. **ASABA**
4. Prudential Authority
5. Industry representative
6. Industry representative
7. Industry representative
8. Industry representative

1. Guidance Notes
2. Practising Certificates

9. ENTERPRISE AND FINANCIAL RISK MANAGEMENT

ACTUARIAL SOCIETY OF SOUTH AFRICA

QUANTIFYING RISK, ENABLING OPPORTUNITY

ASSA STIC: Professional Guidance Subcommittee

ASSA STIC members

General	
Chairman	Jaco van der Merwe
Secretary	Phillip Diedericks
Actuarial Society Office	Niel Fourie

Subcommittees	
Education	Karl Meissner-Roloff
Professional Guidance	Lisa Pines
Legislation	Lynette Calitz
Emerging Matters	Ricardo Govender
Research	Sajiv Issuree
CPD	Sias Esterhuizen
Communication	Yashoda Ram
IFRS17 (ad hoc)	Lance Moroney

Member role	
Industry representative	André Jansen van Vuuren
Industry representative	Annemarie Sinclair
Industry representative	Ryk Coetzee
Industry representative	Bev Dias
Prudential Authority	Christiaan Ahlers
SAICA	Andrew Taylor
SAIA	Nico Esterhuizen
ASABA	Amogelang Kgaladi

Practising Certificates

Overview & context

Overview:

- Where have we come from?
- Where are we going?
- Criteria revised for HAF in a SAM world
- Overall, probably less onerous to obtain

Revised criteria:

- Guided by GOI3 & APN403
- More consistent with other PAs eg Life
- Transitional arrangements

Currently:

60 applications to date (**40** unique)

- X 5 declined
- ✓ 7 lapsed without renewing

28 active ST PC holders

- ✓ 18 General (unlimited)
- ✓ 10 Limited
- ➢ Male 82% (23), Female 18% (5)
- ➢ White 93% (26), Non-white 7% (2)
- ➢ Consultants 36% (10), (Re)insurers 64% (18)

Practising Certificates

[PROPOSED DRAFT]

	Looking back	Going forward
Who needs a PC?	Statutory Actuaries Statutory sign-off	**HAF in SA** **Stat/Appointed Actuary outside RSA where no IAA memb org** **When formally reviewing a HAF/Stat Act** **When giving formal assurance on IMAP**
Criteria	RSP FASSA F103 (after 1/2014) – experience exceptions CPD: ASSA rules for category A CPD: 10hrs verifiable p.a. in ST Fit & proper, no unprofessional conduct Relevant experience* Recommendation: suitably qual'd actuary(ies) (3yrs)	RSP, CPC, APNs, Act(s), time & resources FASSA F103 (after 1/2014) – experience exceptions CPD: ASSA rules **(time/outcomes-based)** **CPD: motivation of relevance (for OB CPD)** CPD: 10hrs verifiable p.a. in ST **CPD: records & declarations** Fit & proper, no unprofessional conduct Relevant experience* Recommendation: suitably qual'd actuary(ies)(3yrs)
***Experience**	Basic: - 4 years working - 2 years PQE - 4+ years relevant ST with suitably qual'd actuary - Breadth & depth, capacity - 1+ years (within last 3) in RSA	Basic: - 5 years working - 3 years PQE - 3+ years relevant ST with suitably qual'd actuary - Breadth & depth, capacity - 3+ years within last 5 years - Substantially on (re)insurers in RSA
***Experience**	STIC can ask for additional information/evidence	STIC can ask for additional information/evidence **Examples of questions/evidence provided**

Practising Certificates

[PROPOSED DRAFT]

	Looking back	Going forward
***Experience**		Examples/sample questions: Applicant: - Technical (relevance, depth, breath & variety) - Advice, oversight & assurance - Personal responsibility, accountability Supporting suitably qualified actuary: - Roles - Responsibilities - Relevance & coverage of experience - Regulatory/statutory roles & interactions
Forms of PCs	Regular or qualified/limited	Regular or qualified/limited
Application process	Initial vs Renewal Submit to ASSA STIC	Initial vs Renewal Submit to ASSA STIC (renewal: 3months prior to exp)
Validity	4 years	4 years (except transitional)
Public register	No	Yes

Practising Certificates

Transitional arrangements *[DRAFT]*

Rationale:

Life:

- Stat Actuaries conversion to HAFs, sufficiency of PC holders

ST:

- Shortage of PC holders
- Despite new criteria, shortage of experienced ST actuaries
- **Promote, support & encourage growth of PC-holding ST actuaries**
- **And maintain, uphold professional standards**

	TRANSITIONAL PC [PROPOSED DRAFT]
Applies until	31 March 2020
Period of validity	1 year
Experience	4 years (2 PQE, 1 in RSA)
CPD	ASSA & 10hrs ST
Good standing	Fit & proper, no unprofessional conduct
Approval process	Submit to ASSA STIC No vetting/interrogation. Issued if "Y" response to all criteria.
Other	You must apply – cannot sign as HAF without Applicant undertakes to apply for PC within 1 year (before 1 Apr 2020)

Professional Guidance

APN 403 / 106

APN 401

APN 402

APN 106/403: Head of Actuarial Function for South African Insurers

Effective 31 Aug 2018

Joint Life / Non-Life

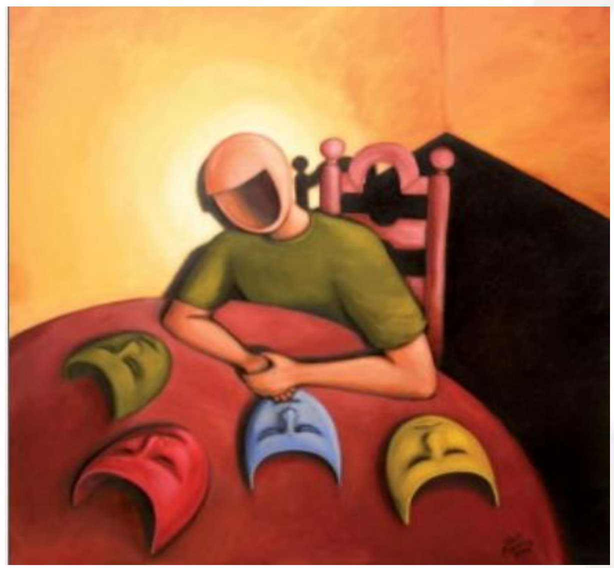
APN 403 / 106 : HAF

What is my role in this world?

What qualifications do I need?

What can I learn from my peer group?

How do I fit in? How independent am I?



Do I have to do everything myself?

Who am I?

Who am I?

Pre-SAM

BN158 Dec 2014
Interim measures
PP83

SAM 1 July 2018
GOI 3 and 4

Statutory Actuary

HAC

"HAF" to do this

What can we learn from our peers?

Pre-SAM

BN158 Dec 2014
Interim measures
PP83

SAM 1 July 2018
GOI 3 and 4

Statutory Actuary

HAC

“HAF” to do this

LAC APN 106

Life update APN 106
Public comment Sep 2016

STIC APN 106

New APN 403
STIC Convention Sep 2016

Combined APN 106/403 effective 31 Aug 2018

Separate Group HAF guidance

Contents APN 106 / 403

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1. **Introduction**
2. **Responsibilities of the Head of Actuarial Function**
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5. Review of financial position
6. Shareholder distributions
7. Opinion on stipulated policies (and reinsurance adequacy)
8. Product design, premium rates and policy conditions reviews
9. Treating Customers Fairly (TCF)
10. Allocation of profits reviews
11. Transfers of business and other significant transactions

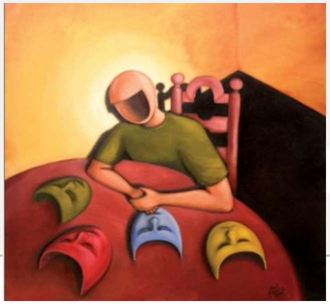
How do I fit in?

How do I fit in?

How independent am I?
GOI: "provide an independent perspective on risks", "appropriate segregation of duties from first line"
APN: The role is one of oversight and review, of independent opinion.
Further, ensure the Board understands that HAF is acting in capacity of the Act and as a professional rather than as an employee. Must have direct access to the board.

Do I have to do everything myself?
GOI: HAF is one person.
APN: However, this does not preclude delegation of parts of the work to appropriate actuaries. But the final report, opinion, or sign-off remains that of the one HAF. In some cases, the HAF will need to place reliance on the work of others, such as risk or internal audit. This is permissible and such reliance should be disclosed.

What qualifications do I need?
GOI: Fit and proper, FASSA, appropriate experience
APN: Relevant practicing certificate - non life full effect 1 April 2020



Contents APN 106 / 403

1. Introduction
2. Responsibilities of the Head of Actuarial Function
3. Appointment and termination
4. **Technical Provisions, MCR and SCR adequacy reviews**
5. Review of financial position
6. Shareholder distributions
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Key section

Provides detailed guidance on how to evaluate

- Data
- Assumptions
- Method

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GOI: Express an opinion

Current and projected solvency -statutory IFRS and alternative. eg internal model.

Advise the board on impact of dividends

ORSA and risk monitoring

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6. Shareholder distributions
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GOI: Express an opinion

ALM, UW, reinsurance

Annually or as required by board

HAF is not expected to monitor compliance, as this is better suited to other functions

Reinsurance must support risk appetite and business strategy

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6. Shareholder distributions
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GOI: Evaluate and provide advice on actuarial soundness of t&c's of insurance products

Sought clarification from PA. Includes premiums.

APN provides detailed guidance on assessing premium sufficiency to cover claims, expenses, etc for different product types. Also consider capital required (and RoE), risk appetite, key assumptions. Eg business volumes

APN 401: Valuation and Calculation of Technical Provisions using Non-Life valuation principles

Current version 2.0 effective from 1 March 2013
"Refresh" to be implemented late 2018

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APN 401 "Refresh"

- Applies when valuing technical provisions for non-life insurers and non-insurance entities. Eg motor maintenance plans
- Statutory, financial and other purposes
- Most important changes to form:
  - More generic (less reference to specific regulations and standards)
  - Updated terminology, restructured, some sections fleshed out
  - Some detail removed. Eg sources of information for inflation
- Most important changes to content :
  - More specific reference to ULAE and ALAE
  - Margins should be explicit and quantifiable rather than implicit. Margins should be based on appropriate regulations / standards / reserving policy.
  - Guidance on treatment of cash-backs / loyalty provisions
  - Movement analysis required
  - New section on Reporting

APN 402: Actuarial Standards for Actuaries in Short-term insurance

- "Overarching framework"
- Overview of relevant actuarial standards (SA, UK, International), accounting guidelines and regulations(SA)
- Constantly changing
- To be distributed as a guidance article instead of as an APN