

November 9th, 2015

Re: Head of Actuarial Function role

Dear Sir/Madam

As you are aware, the Solvency II framework introduces a range of requirements for the Actuarial Function within undertakings. As discussed in the Consultation Paper on Domestic Actuarial Regime and Related Governance Requirements under Solvency II CP92 (“Domestic Actuarial Regime”), the Central Bank intends to introduce a new pre-approved control function (“PCF”) role, the Head of Actuarial Function (“HoAF”) to be responsible for the actuarial function and for the tasks carried out by that function under Solvency II and the requirements of the Domestic Actuarial Regime.

In order to ensure compliance with Solvency II and the Domestic Actuarial Regime requirements, following the transposition of the Solvency II Directive into national law, the Fitness and Probity requirements prescribed by the Central Bank pursuant to Section 22 of the Central Bank Reform Act, 2010 will be updated by Amending Regulation prior to 1 January 2016. These amendments will prescribe one new PCF for undertakings, PCF48 (“Head of Actuarial Function”) and remove PCF20 (“Chief Actuary”) and PCF44 (“Signing Actuary”) from the list of PCFs.

The Central Bank is of the view that the current PCF roles (PCF20 and PCF44) do not align directly to the role of the HoAF. This is because there are material responsibilities of the HoAF role which currently fall outside the common understanding of the roles of Chief Actuary and Signing Actuary. As such, the Central Bank does not propose that individuals currently performing these roles can automatically become the HoAF.

However, where an undertaking believes it has an individual (on or before 31 December 2015) currently performing the role of HoAF (irrespective of the title given to that role) then that person will not have to apply for approval for the HoAF role upon the commencement of the amending Fitness & Probity Regulations on 1 January 2016.

Accordingly, the Central Bank of Ireland wishes to understand how undertakings are satisfying themselves that such persons have the necessary skills and qualifications to fulfil the role. The Central Bank is requesting that each undertaking submits the information outlined in Section 4 of Appendix 1 to your usual supervisory contact by 30th November 2015.

Details of the next steps in the process will be communicated to undertakings in due course.

Should you have any queries in relation to the process to be followed, please get in touch with your normal supervisory contact.

Yours sincerely,



Grace von Offenbergh Sweeney
Deputy Head for Actuarial
Insurance Supervision

Appendix 1 – Process to be followed for in-situ Heads of Actuarial Function

1. Due Diligence

Undertakings must comply with their obligations to conduct due diligence on these individuals and ensure that they have agreed to comply with the Fitness & Probity Standards. Due diligence in this regard includes assessing whether they have the relevant experience and competencies for the role (as outlined below).

2. Requirements for the HoAF PCF role

a. Desired Experience

The experience for the HoAF role should demonstrate the capability of fulfilling the requirements of the role in all of the areas below.

1. Technical Provisions: We would expect that the actuary can demonstrate a strong understanding of reserving in order to be appropriate for this role. In particular, the actuary should be experienced in:
 - a. Coordination of calculation
 - b. Methodologies and assumptions
 - c. Data sufficiency and quality
 - d. Experience analysis
 - e. Reporting to the Board on reliability and adequacy of the calculation of technical provisions
 - f. All areas discussed in the Appendix of the Feedback Statement on the Domestic Actuarial Regime and Related Governance Requirements Under Solvency II (CP92).
2. Underwriting Opinion
 - a. Providing an opinion on the undertaking's underwriting policy
3. Reinsurance Opinion
 - a. Providing an opinion on the adequacy of the undertaking's reinsurance arrangements
4. Risk Management
 - a. Contributing to the effective implementation of the risk management system, in particular:
 - i. With regard to risk modelling underlying the calculation of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR)
 - ii. Assisting the risk management function in relation to the internal model (if applicable)
 - iii. Contributing to the ORSA process.

b. Depth of Experience

It is not necessary for the HoAF to have the same depth of experience in each of the individual areas noted above. However, the Central Bank expects the HoAF to have sufficient experience and seniority in each of the areas noted to be in a position to meaningfully challenge the work of others. Where a company has particular issues in any of the areas listed above, the Central Bank would generally expect the HoAF to have an understanding of these areas sufficient to provide meaningful input in relation to them.

c. Influence on Decision Making

As well as the experience listed above, the Central Bank would also expect the individual to be in a position to demonstrate the ability to influence decision making at a senior level within the undertaking. The Head of the Actuarial Function is a key source of expertise on actuarial matters for the Board. The individual should be accountable to the Board. The HoAF should provide guidance to the Board on the selection of key actuarial assumptions and should be capable of influencing Board decisions in key areas of actuarial expertise. The HoAF should also be capable of driving risk awareness and an appropriate risk culture within the undertaking.

3. Minimum Competencies for the HoAF PCF role

The HoAF at a minimum should meet the following requirements:

- A member of a recognised actuarial association
- In general, the Central Bank's expectation that the PCF should be carried out by a qualified actuary. In exceptional circumstances a non-qualified actuary that meets all the requirements above may be considered.
- A minimum of five years (within the last 10 years) relevant actuarial experience in total, with some experience in each of the areas listed in Section 2 above
- A minimum of one year's recent experience of reserving relevant to the market in which the majority of business is written
- A minimum of one year's experience of any exotic or specialised type of business written
- Evidence of capability of influencing Board decisions in key areas of actuarial expertise
- Evidence of capability of driving risk awareness and an appropriate risk culture within the undertaking.
- An employee of the undertaking if it is designated High Impact under PRISM
- Meets general Fitness & Probity requirements

4. Information to be provided by the Regulated Entity

The Regulated Entity is required to submit the following information:

- Evidence that the Regulated Entity have completed the necessary due diligence in respect of the person performing the role of the HoAF and that the Regulated Entity is satisfied on reasonable grounds that these persons are compliant with the Fitness and Probity Standards. This evidence should cover all the requirements set out in section 2a above, viz:

Requirement	Evidence
1. Technical Provisions: We would expect that the actuary can demonstrate a strong understanding of reserving in order to be appropriate for this role. In particular, the actuary should be experienced in: <ol style="list-style-type: none"> a. Coordination of calculation b. Methodologies and assumptions c. Data sufficiency and quality d. Experience analysis e. Reporting to the Board on reliability and adequacy of the calculation of technical provisions. f. All areas discussed in the Appendix of the Feedback Statement on the Domestic Actuarial Regime and Related Governance Requirements Under Solvency II (CP92). 	
2. Underwriting Opinion <ol style="list-style-type: none"> a. Providing an opinion on the undertaking's underwriting policy 	
3. Reinsurance Opinion <ol style="list-style-type: none"> a. Providing an opinion on the adequacy of the undertaking's reinsurance arrangements 	
4. Risk Management <ol style="list-style-type: none"> a. Contributing to the effective implementation of the risk management system, in particular: <ol style="list-style-type: none"> i. With regard to risk modelling underlying the calculation of the Solvency Capital Requirement (SCR) and Minimum Capital Requirement (MCR) ii. Assisting the risk management function in relation to the internal model (if applicable) iii. Contributing to the ORSA process. 	

- Confirmation that the person holding the HoAF role has provided the Regulated Entity with written agreement to abide by the Fitness and Probity Standards;
- A CV for the person holding the HoAF role;

- If deemed relevant by the undertaking, the undertaking may also submit details of any changes made to support the HoAF in his/her role e.g. proposed reporting lines, systems of peer review etc.