



Regulatory Board interim meeting

10 January 2023, 15:30-16:30, via MS Teams

Board	Ben Kemp, David Broadbent, Edwin Sheaf, Melanie Puri, Mike Smedley, Mitesh Soni (part), Neil Buckley (Chair), Nicola Williams (part), Oliver Bettis, Sue Lewis
Executive	Cargill Sanderson, Elena McLachlin, Emma Gilpin, Hannah MacLeod, Stephanie Snowden
Guests	Graeme Muir (attending as Chair of the Funeral Plans Members Interest Group (MIG))
Apologies	Helen Brown, Simon Martin

PC considerations for actuarial work in relation to UK Trust-Based Pre-Paid Funeral Plans

1. The Regulatory Board met to discuss whether, following the move to Financial Conduct Authority (FCA) regulation, there should be introduced a Practising Certificate (PC) for actuaries providing advice to UK Trust-Based Pre-Paid Funeral Plans.

Executive summary of background

2. The Executive referred to the approval paper which had been shared with the Board in December 2022, and provided the following summary:
 - discussions had taken place with the PC Committee (PCC) who had not expressed a view on the matter, however a member of the PCC's Life Panel had provided a view in favour of introducing a new PC;
 - The Funeral Plans MIG did not feel a PC was proportionate or necessary and GM was in attendance to speak to that feedback;
 - the FCA have been consulted, but have not provided any feedback;
 - a consultation on Actuarial Profession Standard (APS) Z1 is currently on hold, pending this decision.
3. It was highlighted by the Executive that should the Board choose to introduce a PC, this would fall outside the current agreed criteria which provide that PCs will be required for specific ongoing actuarial roles that are recognised within legislation. In the case of funeral plan trusts, there is a regulatory requirement for specific pieces of work (including the annual Solvency Assessment Report (SAR)) to be carried out by a fellow of the IFoA, but there is no requirement for an ongoing role.
4. GM provided further insight from the MIG confirming the position outlined within the paper.

Board Discussion

5. Board discussion raised the following points:
 - There are only two actuaries providing advice to the largest providers who cover most of the market, and less than ten actuaries providing the relevant advice overall – in that light, there is a question as to whether the introduction of a PC is proportionate.
 - Alternatively, proportionality, could be judged on the number of customers, and therefore the potential impact of the work.
 - Whilst this PC would not fit the current agreed criteria, this should not prevent the introduction of a PC requirement if the circumstances justified a PC.

- Given that an IFoA Fellow is required to complete the SAR, there would need to be a justification to further restrict the ability to carry out this work if a PC is to be introduced.
 - It is not clear whether recent insolvencies in this area would have been avoided if the actuarial work was covered by a PC
 - It was noted that customers are now covered by the Financial Services Compensation Scheme (FSCS).
 - Technical Actuarial Standard (TAS) 400, which covers this work, is currently being reviewed by the Financial Reporting Council (FRC) and an updated TAS (together with additional guidance from FRC and/or the IFoA) might be a more appropriate way to mitigate any potential risk.
6. There followed a discussion about whether the work required of the actuary could be seen as a defined role on which a PC could be based. There was a concern that the FCA may be assuming that there is a role here (such that annual SARs for a particular trust or plan will be produced, year on year, by the same actuary) and that it would be useful to meet with the FCA to understand to what extent they see a role as already existing, or whether they support defining a role for this work.

Board Decision

7. Based on this discussion, the Board agreed not to introduce a PC at this stage. The Board Chair will coordinate with the Executive with regards to meeting with the FCA and the Board will review this decision following that engagement, and within a year of today's meeting.

Actions:

- Executive to arrange meeting for the Chair to meet with FCA officials
- Executive to proceed with APS Z1 consultation
- Executive to seek, within a year, Board review of decision not to introduce a funeral plan trusts PC