

Institute and Faculty of Actuaries, **Regulatory Board**

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| Subject | Practising Certificate requirements for the role of Reviewing Actuary |
| Meeting date | 14 February 2024 |
| Previous Steer/Approval | <p>May 2018 Board approved the removal of the requirement for an RA of a Life firm to hold a PC</p> <p>July 2018 Feedback from the FRC and Life Board considered by the Board. The Board approved the removal of the requirement for an RA of a Life firm to hold a PC, subject to a member consultation and FRC comments</p> <p>March 2019 Board approved the draft consultation document, subject to comments from the FRC and PRA</p> <p>May 2019 Board agreed to uphold its decision to remove the RA PC, but to defer implementation of the decision to reflect further on the FRC's position</p> <p>April 2022 Board asked the Executive to consider a separate RA PC under the new PC Scheme</p> <p>June 2022 Board agreed that the matter should be brought back for discussion once the new PC Scheme is in effect</p> <p>May 2023 Board agreed to consult on the removal of the requirement for RAs to hold a PC</p> |
| Related horizon scan code | N/A |
| International issues considered? | No – relates only to UK PC scheme |
| Author | Stephanie McGowan, Senior Regulatory Manager |
| Reviewer | Fiona Goddard, Interim Head of Regulatory Policy |
| Purpose | Approval |

A: Executive summary

1. This paper provides an update to the Board on the outcome of the consultation on proposals to remove the requirement for Reviewing Actuaries (RAs) of a Life firm to hold a Practising Certificate (PC).
2. The Board is asked to discuss the responses received and **approve** the proposals, including the corresponding updates to Actuarial Profession Standard (APS) L1, the PC Scheme and PC Handbook.

B: Background

3. The PC requirements for RAs have been discussed by the Board on a number of occasions, and at its meeting in May 2023, the Board agreed to consult on the removal of the requirement.
4. The full background and previous Board decisions in relation to the requirements can be found within paper 6 of the July 2022 Regulatory Board meeting (please contact rbsecretary@actuaries.org.uk for a copy of the paper, if required).
5. A consultation document was prepared and issued on 18 August 2023 (**Appendix 1**), with the consultation closing on 17 November 2023.

C: Response to the consultation

6. The consultation received 11 responses, including 7 responses from individuals, and 4 from organisations.
7. The number of responses reflects the relatively small number of Members likely to be affected by the proposals.
8. In addition, organisation responses tend to cover the views of a number of individual Members.
9. The detailed responses show a general agreement that the current situation whereby an RA is required to obtain a Chief Actuary PC is not suitable and an alternative solution is required.
10. However, respondents were divided on the overall proposals to remove the PC requirement, with 5 respondents agreeing and 6 respondents disagreeing with the proposals.
11. A summary of the responses is set out below, with the detailed responses produced in full in the draft Summary of consultation responses document (**Appendix 2**). The responses in red are for consideration by the Board only and will not be published.

| Question | Yes | No | Not sure |
|---|-----|----|----------|
| Do you agree with the proposal to remove the Reviewing Actuary PC requirement? | 5 | 6 | 0 |
| Do you agree with the proposed revisions to APS L1 set out in version 4.0? | 4 | 6 | 1 |
| Do you agree with the proposed revisions to the PC Scheme and Handbook set out in versions 4.2 and 1.2, respectively? | 6 | 5 | 0 |
| Do you think the introduction of guidance for Reviewing Actuaries would be helpful? | 8 | 3 | 0 |
| Do you anticipate any practical or resource implications from these proposals? | 3 | 4 | 4 |

12. The majority of those who disagreed with the proposals were concerned that removal of the requirement could lead to the role being carried out by individuals who do not have the relevant knowledge and skills.
13. It was also suggested that a PC gives the auditor comfort in the actuary's competence to carry out the role, therefore a separate RA PC with its own Competency Framework could be a more appropriate approach.

14. Those who agreed with the proposals highlighted the requirements of the Actuaries' Code and the professionalism of Members in ensuring they have an appropriate level of relevant knowledge and skill before taking on a role.
15. In addition, it was noted that the auditor has a responsibility to evaluate the competence and capabilities of an expert before making an appointment and is best placed to make this assessment.

D: FRC interaction

16. In advance of publishing the consultation, feedback was sought from the FRC and shared with the Board alongside a draft of the consultation paper.
17. [REDACTED]
18. [REDACTED]
19. [REDACTED]
20. Following the end of the consultation period, the high-level consultation responses were discussed with the FRC and they have confirmed they have no further comments at this stage.
21. An update will be provided to the FRC after this meeting and a copy of the feedback paper will be shared in advance of publication.

E: Introduction of guidance

22. The FRC, along with 8 out of the 11 respondents agreed that guidance would be a helpful addition should the PC requirement be removed.
23. A guidance document has been produced by the Executive, which requires further input from relevant experts.
24. After this meeting, the guidance will be shared with those experts for feedback before being shared with the Board for comments.
25. The guidance will then be published alongside the consultation feedback document, with a request for comments/suggestions before publishing the final guidance document thereafter.

F: Conclusions

26. Although there is not a clear majority view from those who responded to the consultation, the detailed responses received did not raise any new points that had not been considered prior to consultation, as set out in 4.2 of the consultation feedback paper.
27. It is therefore recommended that the Board **approves**:
 - (i) the removal of the requirement for RAs to hold a PC, along with the corresponding changes to the following documents:
 - APS L1;
 - PC Scheme; and

– PC Handbook

- (ii) the consultation feedback document for publication
- (iii) the production of draft guidance for those acting as the auditor's expert and call for feedback

G: Appendices

- Appendix 1: Proposals for a revised APS L1, as consulted upon
- Appendix 2: Draft Summary of consultation responses