

Comment on CP73

I agree with much of the thrust of this consultative paper, which is broadly consistent with what would be recognised as best practice internationally. I can also appreciate that the paper is informed by the lessons which the regulator draws from a recent failure which has undoubtedly proved costly to the public.

I am an actuary currently acting as a non-executive director of five insurance undertakings, two of which are based in Ireland. I am a member of the EIOPA Insurance and Reinsurance Stakeholder Group and I also represent the European actuarial profession as an observer at the Actuarial Council of the Financial Reporting Council. The following comments are however entirely personal.

My first and perhaps less significant comment relates to paragraph 9 of the draft requirements specifically that for high impact firms the Signing Actuary should be an employee. The rationale for this requirement is not clear to me. In my own experience there are advantages and disadvantages to outsourcing analogous reserved roles and there is no unique solution. The scale and complexity of the undertaking are not necessarily determinative. It may be preferable to require that the board should be able to evidence consideration of the advantages and disadvantages of whatever decision it takes in this respect and that it has taken practical steps to mitigate disadvantages. For the avoidance of doubt, I fully support the intended requirement that the Signing Actuary should be a PCF and should be independent of the External Auditor.

I would urge the regulator to consider very carefully feedback which it may receive in relation to the draft requirements set out in paragraphs 34 to 46, and particularly in relation to paragraph 42. These requirements appear likely to impose additional costs on undertakings (and their customers) which may outweigh any plausible benefit. CP73 rightly requires boards to take responsibility for reserving, subject to explicit and substantially independent review by a designated Signing Actuary and to review by an External Auditor in accordance with relevant accounting and auditing standards. This framework is more stringent than Solvency 2 minimum requirements but is rightly informed by regulatory experience. If that experience suggests that such a stringent framework has somehow proved inadequate in certain past circumstances, then strengthening the requirements in relation to the Signing Actuary and the External Auditor seems likely to be preferable to the introduction of yet another party. It may for example be desirable to require an explicit opinion from the actuary advising the External Auditor in the manner required by at least one EU jurisdiction in respect of life business. It is incumbent on actuaries to be able to explain their methods and results to others who may place reliance upon them.

With these possible exceptions I am generally in agreement with the envisaged requirements.

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