



The role of the statutory actuary in Life Insurance – a regulatory perspective

Marius du Toit

Chief Actuary, Financial Services Board

The Business of Change: 2010 and Beyond



Agenda

1. Background
2. Interim recommendations
3. Developments during 2008
4. High-level summary of duties in terms of the Long-term Insurance Act
5. Summary of relevant changes to Long-term Insurance Act
6. Way forward

The Business of Change: 2010 and Beyond



Background

- FSB Task Force established in 2007
- Members from the Actuarial Society and FSB
- Terms of reference:
 - The role of the statutory actuary in a life insurer
 - Conflict of interest
 - Responsibility of results
 - Peer review
 - Appointment of the statutory actuary
- Investigated international practice – results presented at 2007 convention

Interim recommendations

- Interim recommendations presented to Long-term Advisory Committee in January 2008:
 - South African practices are not out of line with international practice
 - No mandatory (regulatory?) peer review required at this stage – proposed change to Long-term Insurance Act makes it possible to request a peer review when deemed necessary
 - Actuarial Board Committee – seen as best practice but should not be prescribed



Interim recommendations (continued)

- No major changes to the appointment of statutory actuary suggested
 - Allowed to be an employee or a consultant
 - Allowed to work for more than one insurer
 - Allowed to be a director
 - Should not be the CEO / Financial Director
- Further investigation needed:
 - Split role necessary?
 - Responsibility – does it lie with the statutory actuary or the Board?

The Business of Change: 2010 and Beyond



Developments during 2008

- Advisory committee recommended further engagement with industry
- Working group formed with members from the FSB, Actuarial Society, SAICA, LOA and the Institute of Directors
 - Meetings held where remaining issues were discussed
 - Recommendations will be tabled at next Long-term Advisory Committee – then industry consultation
- Insurance Acts Amendment Bill approved by Parliament

The Business of Change: 2010 and Beyond



Summary of duties i.t.o. LTIA

- Every long-term insurer must have a statutory actuary, approved by the Registrar
- Fit and proper requirements
- Reporting duties if failing to meet solvency requirements
- Dividends may not be declared unless the statutory actuary signed it off
- Asset-liability matching
- Policies must be actuarially sound
- Declaration of bonuses
- Rules for remaining values
- Minimum termination values

The Business of Change: 2010 and Beyond



Insurance Acts Amendment Bill

Reporting (Section 20)	
Previously	New
<ul style="list-style-type: none"> • Report to Insurer • If possibility to prejudice Section 29(1) (Solvency) • Report to FSB if no steps to rectify situation are taken by insurer • No time-frame given 	<ul style="list-style-type: none"> • Report in writing to Board of Directors • If possibility to prejudice Section 29(1) or any other section of the Act relating to duties of statutory actuary • Report to FSB if no steps taken within 30 days from report • Report immediately to FSB in certain situations

The Business of Change: 2010 and Beyond



Insurance Acts Amendment Bill (continued)

Criminal offence (Section 66)	
Previously	New
<ul style="list-style-type: none">• No provision	<ul style="list-style-type: none">• If reporting duty not fulfilled (section 20(5)(b)) then a criminal offence<ul style="list-style-type: none">• Fine not exceeding R1m• Imprisonment up to 10 years• Or both

The Business of Change: 2010 and Beyond

Insurance Acts Amendment Bill (continued)

Enabled to be heard (Section 20)	
Previously	New
<ul style="list-style-type: none">• Could attend general meeting of insurer• Must receive notices and other communication regarding general meeting• Could be heard at general meeting regarding issues concerning the statutory actuary	<ul style="list-style-type: none">• Could attend and speak at general meetings• Must receive notices and other communication regarding general meeting• Must receive notification and communication for all board meetings• Must be present at board meetings where issues are discussed concerning the statutory actuary (required by statute or professional guidance)

The Business of Change: 2010 and Beyond



Insurance Acts Amendment Bill (continued)

Peer review (Section 36)	
Previously	New
<ul style="list-style-type: none">• No provision	<ul style="list-style-type: none">• If statement in statutory returns needs further investigation• Report required by a person nominated by Registrar• At insurer's cost

The Business of Change: 2010 and Beyond



Way forward

- Task force to formalise their view
- Present to Long Term Advisory Board
- Consider best international practice – but not necessary follow it
- Statutory actuary is seen as an extension of the regulator
 - Need to rely on integrity and professionalism
 - Co-operation between FSB and Actuarial Society
- Possible split between “solvency” and “treating customers fairly” roles
- Responsibility could move to the Board of Directors

The Business of Change: 2010 and Beyond





Thank you

Marius du Toit

Chief Actuary, Financial Services Board

The Business of Change: 2010 and Beyond

