

Oliver James Associates discusses the role of the Chief Actuary and the introduction of the Chief Actuary Practising Certificate with Laura McMaster, Partner at consultancy LCP

What have been the main factors affecting the general insurance actuarial market so far in 2017?

The Lord Chancellor's change to the court discount rate from +2.5% pa to -0.75% pa came as a huge shock to many – although a change was anticipated, few expected it to be so large. For high-value personal injury claims involving young claimants, this change will triple the value of their compensation. It has made for a challenging start to 2017, with several large motor insurers announcing a significant hit to their 2016 profits. Uncertainty remains because of the consultation that the Lord Chancellor has just released on the way to set the rate.

Cyber insurance is also a significant area of focus. Lloyd's is predicting a surge in demand for cover after a 50% rise in 2016, and Allianz is predicting the global premium to grow ten fold from \$2.5bn to \$25bn in the next eight years.

How much has regulation shaped the role of the Actuary, specifically the Chief Actuary, in recent years?

Solvency II has created significant regulatory demands such as the reporting of technical provisions on an additional basis, ramped-up capital modelling requirements around validation and model change, and the reporting of data. The Chief Actuary role, in particular, is heavily shaped by the specific legislative requirements.

Interestingly, in Australia, the regulator is currently considering reducing the regulatory requirements of Appointed Actuaries to give them more freedom to focus on providing strategic support to the Board. Some UK firms are addressing this issue by separating the Head of Actuarial from the Solvency II Chief Actuary role to allow the Head of Actuarial to maintain a more strategic focus.

What is the Chief Actuary Practising Certificate and when did this come into force? What was the reason for it being introduced?

The need for a Chief Actuary Practising Certificate (PC) came into force at the start of 2016 alongside the new formal Solvency II Chief Actuary role. They are the IFoA's way of protecting the public interest by confirming that members holding statutory roles have the necessary skills and experience to perform them.



Who is eligible to apply for this?

You have to be a qualified Actuary, and meet the technical and general criteria. The technical criteria include a breadth and depth of experience across reserving, pricing, capital, reinsurance and risk management, although it's not necessary to have deep experience in all areas. The Institute and Faculty's website provides more details on the expectations of the PC committee who approve applications.

How many LCP partners hold a PC and what did they need to do to obtain it?

All LCP insurance actuarial partners hold either the Chief Actuary or Lloyd's opinion PC – several have both. For my part, working at LCP has provided opportunities to help a range of syndicates and insurers with reserving and capital modelling, and a large clinical negligence indemnifier with their pricing. I am also an Appointed Actuary to an Australian insurer, for whom I provide a full range of actuarial support. The other partners have equally wide-ranging experience, so meeting the technical criteria was a natural consequence of our client work.

What ongoing requirements are there to maintain the regulated Chief Actuary status?

Practising Certificates have to be renewed on an annual basis. At each renewal you must show that you have continued to meet the criteria, in particular the recent technical experience and the CPD requirements. If you hold a Chief Actuary role, it should be straightforward to demonstrate continued relevant technical experience. If not, or if you are planning a career break, some careful planning of work across the year will be valuable to help you retain your PC at renewal.

Other than technical skills, what skills are required for holders of the certificate?

It is important to have self-assurance and influencing skills and, like all actuaries, to behave in an ethical and professional manner. It is also important to be able to exercise sound judgement and meet the regulatory requirements, and to do all this even when under the pressures that the role might bring. You need to be able to demonstrate that your character and professional experience makes you a fit, proper and suitable person to hold the PC. The need for all these attributes is formalised through the attestation process, where an existing PC holder attests that a new applicant has these skills as well as the technical experience.

What advice would you give to a Junior actuary who is aspiring to be a Chief Actuary in the future?

Plan ahead and seek out the right opportunities. It is essential to have a range of experience to perform the role competently and meet the PC technical criteria. So plan how you might get that experience through your various clients in a consultancy, or through role rotation in house. It is also important to develop and demonstrate the related softer skills. Presenting to internal committees, such as the reserving committee or capital model steering group, is useful experience. Ask your managers to be involved in discussions where final decisions are made. It will help you understand the challenges to your advice that you may experience, so you can develop the self-assurance to deal with those challenges in future.

How do you think the Chief Actuary role will develop in the coming years?

Many Chief Actuaries are still developing the way they meet the requirements. I hope that as we come to the second year of the regime there will be more opportunities to share knowledge on best practice so that Chief Actuaries can focus their efforts on supporting the Board and avoid the trap of a "tick box" approach. I think this is particularly so in the areas of the underwriting and reinsurance opinions. And who knows, perhaps we will find ourselves following the Australian example in a few years by paring back the formal requirements to support a more strategic focus.