[Issue Date]

Re: Solvency II Fit & Proper Requirements

Dear Member,

On 27 March 2013, EIOPA published a consultation paper on "the proposal for guidelines on the system of governance". The proposed guidelines will take effect from 1 January 2014 and will require (re)insurance undertakings to put in place effective systems of governance.

In particular, undertakings will be required to put specified functions in place including an Actuarial Function and a Risk Management Function. Furthermore, persons appointed to run key functions will need to meet fit & proper requirements and undertakings will need to develop policies and procedures on fit and proper requirements. These requirements will also apply where key functions are outsourced. The text of the relevant guidelines is reproduced in Appendix 1 of this letter. (Please note that guideline 13 covers also "other relevant personnel" non subject to the requirements of article 42).

The assessment of fitness of an individual to discharge a particular role will depend among other factors on his/her experience, the responsibilities of the role and the nature, scale and complexity of the undertaking. However, undertakings will nonetheless have to develop policies and procedures on fit and proper requirements.

The purpose of this letter is to bring to your attention possible factors that might be relevant for your employer in developing its fit & proper policies and procedures and which you may wish to bring to the attention of your employer.

As a fully a qualified member of [name of actuarial association], you:

a) have an academic education covering the International Actuarial Association's core syllabus, the Groupe Consultatif Actuariel Européen's core syllabus [and domestic core syllabus (if any)], sanctioned by due examinations;
b) [are subject to mandatory Continuous Professional Development (CPD) requirements (where relevant)]
c) are subject to the Groupe Consultatif Actuariel Européen's code of conduct and the code of conduct of [insert name of actuarial association];
d) are subject to the disciplinary process of [insert name of actuarial association]
e) comply with applicable actuarial and professional standards;

In addition, depending on your own circumstances, other factors that could be relevant include:

f) the number of years of your professional experience
g) any other relevant qualifications or expertise (e.g. CERA, in particular for those in charge of the Risk Management Function).

This list is of course not exhaustive but we hope you will find it a useful starting point in the context of developing fit and proper policies and procedures.

Finally, it is also worth noting in respect of the Actuarial Function that the OECD Guidelines on Insurer Governance adopted on 19 May 2011 recommend that the person or persons discharging the "*actuarial function*" should "*in addition to having requisite integrity and expertise, be a member in good standing in a professional association that requires adherence to sound standards of actuarial practice, quality control and ethics.*"

Your sincerely,

Comment [JM1]: I am assuming that the intention is to send the final version of this letter to member associations and encourage member sssociations to send it to their members. Is this correct?

Comment [RL2]: Fit and proper requirements go beyond the four key functions of Solvency II.

Comment [JM3]: I have only referred to 'fitness' here as the probity (proper) requirements relates to "honesty and financial soundness"

Comment [RL4]: CERA Board welcomes this potential reference

Appendix 1 – Extracts from EIOPA's "Consultation Paper on the Proposal for Guidelines on the System of Governance"

Introduction

"1.6. As part of the preparation for the implementation of Solvency II, national competent authorities should put in place from 1 January 2014 the Guidelines as set out in this document so that insurance and reinsurance undertakings take the appropriate steps."

"1.12. The Guidelines shall apply from 1 January 2014."

Guideline 11 - Fit Requirements

"1.31. In accordance with Article 42 of Solvency II, national competent authorities should ensure that persons who effectively run the undertaking or have other key functions, including members of the administrative, supervisory or management body of the undertaking are 'fit' and take account of the respective duties allocated to individual members to ensure appropriate diversity of qualifications, knowledge and relevant experience to ensure that the undertaking is managed and overseen in a professional manner."

Guideline 13 – Fit and proper policies and procedures

"1.34. In accordance with Article 41 and 42 of Solvency II, national competent authorities should ensure that the undertaking has a policy on the fit and proper requirements, which includes at least:

a) a description of the procedure for assessing the fitness and propriety of the persons who effectively run the undertaking or have other key functions, both when being considered for the specific position and on an on-going basis;
b) a description of the situations that give rise to a re-assessment of the fit and proper requirements; and
c) a description of the procedure for assessing the fit and proper requirements of other relevant personnel not subject to the requirements of Article 42 of Solvency II according to internal standards, both when being considered for the specific position and on an on-going basis."

Guideline 12 – Outsourcing of key functions

"1.35. In accordance with Article 42 and 49 of Solvency II, national competent authorities should ensure that the undertaking applies the fit and proper requirements to the persons employed by the service provider or sub service provider to perform an outsourced key function."